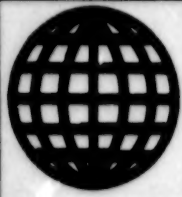


JPRS-UEA-91-002  
16 JANUARY 1991



**FOREIGN  
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# ***JPRS Report***

# **Soviet Union**

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***Economic Affairs***  
***Special Regional Economic Issues Edition***

# Soviet Union

## Economic Affairs

### Special Regional Economic Issues Edition

JPRS-UEA-91-002

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16 JANUARY 1991

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## POLICY, ORGANIZATION

### Concept for Belorussian Economic Sovereignty

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pp 29-39

[Document drafted by Valeriy Anatolyevich Aleksandrov, chief of the Department for Improvement of Management of BSSR Gosplan; Georgiy Petrovich Badey, deputy chairman of BSSR Gosplan; Lev Mikhaylovich Kryukov, candidate of economic sciences, director of the Scientific Research Institute of BSSR Gosplan; Maks Sumuilovich Kunyavskiy, doctor of economic sciences, professor in the Chair of Political Economy of the Belorussian Institute of the National Economy; and Gennadiy Mikhaylovich Lych, corresponding member of the BSSR Academy of Sciences, director of the Economics Institute of the BSSR Academy of Sciences: "Conception of the Economic Sovereignty of Belorussian SSR"]

[No 9, Sep 90, pp 23-39]

[Text] The Conception of the Economic Sovereignty of Belorussian SSR, published below, has been examined and by and large approved by the Presidium of the BSSR Council of Ministers and has now been submitted to the Supreme Soviet of Belorussian SSR. The authors and drafters of the Conception... are Valeriy Anatolyevich Aleksandrov, chief of the Department for Improvement of Management of BSSR Gosplan; Georgiy Petrovich Badey, deputy chairman of BSSR Gosplan; Lev Mikhaylovich Kryukov, candidate of economic sciences, director of the Scientific Research Institute of BSSR Gosplan; Maks Sumuilovich Kunyavskiy, doctor of economic sciences, professor in the Chair of Political Economy of the Belorussian Institute of the National Economy; and Gennadiy Mikhaylovich Lych, corresponding member of the BSSR Academy of Sciences, director of the Economics Institute of the BSSR Academy of Sciences.

### Conception of the Economic Sovereignty of Belorussian SSR

#### Introduction

In accordance with the Constitutions of the USSR and BSSR, Belorussian SSR is a sovereign state that has entered into the Union of Soviet Socialist Republics voluntarily and possesses the full breadth of state power on its territory, with the exception of those powers which it has voluntarily and by mutual agreement delegated to the higher state authority and administration of the USSR.

Full sovereignty of the people and integrity of territory are the basis of the sovereignty of Belorussian SSR.

Legislative enactments of the USSR regulating socio-economic relations are valid on the territory of the republic

only within the limits of the competence and powers which the republic transfers to union bodies of government and administrative agencies under the updated Treaty With the Union of SSR.

This conception defines the principles, the content, and the methods of safeguarding the economic sovereignty of BSSR in the context of radicalization of the economic reform and the transition to a regulated market economy.

#### 1. Content of Economic Sovereignty

The economic sovereignty of Belorussian SSR lies in the fact that through its government bodies and administrative agencies it independently manages the economy of the republic in order to satisfy the needs of citizens for material, social, and nonmaterial goods on the basis of comprehensive development of the production sphere, social sphere, and cultural sphere and protection of the environment, combining its national-state interests with the interests of the Union of SSR as a federal state.

##### 1.1. Basic Principles and Conditions of Economic Sovereignty The economic sovereignty of Belorussian SSR rests on the following basic principles:

- the right of the republic to provide legislative and normative-legal support of all forms of economic activity on its territory;
- mandatory observance of BSSR legislation by all enterprises, organizations, and institutions located on the territory of Belorussia;
- self-government, i.e., exercise of the rights of the republic and local bodies of government within the limits of their competence, to independently determine the development of the productive forces and production relations with a view to bringing about the conditions to protect and strengthen the mental and physical health of the people, to satisfy its needs, and to provide social protection;
- self-financing, i.e., supporting the operation and development of the republic's economy and its administrative divisions out of its own revenues;
- self-sufficiency, i.e., satisfaction of the material, social, and spiritual needs of the population and the economic needs of the republic and local economies primarily from its own scientific-production potential and fuller utilization of regional factors, as well as on the basis of development of effective interrepublic and interstate commodity trade based on the principles of equivalence and mutual benefit, and social division of labor within the framework of the federation and the entire world community;
- self-regulation, i.e., organization of economic and social processes of reproduction, relations of administrative agencies with enterprises, organizations, and institutions on the basis of their own independent planning and regulation of their activity in accordance with economic legislation in effect and the conditions of the regulated market;

- self-monitoring, i.e., monitoring with our own monitoring agencies (governmental and public) to see that laws of the Belorussian Republic and other legal acts are unswervingly observed by all juridical and natural persons.

The entities exercising the economic sovereignty of Belorussian SSR are as follows: the BSSR Supreme Soviet and republic's government, local soviets of people's deputies and their executive bodies, enterprises, organizations, institutions, and the missions of Belorussian SSR in the Union of SSR and foreign countries.

Practical implementation of these principles of economic sovereignty makes it possible to set up a qualitatively new mechanism for economic, social, cultural, and political development and for a growth of ethnic self-consciousness and also to shape governmental and public structures that possess the necessary fullness of rights and bear full responsibility for the destiny of the republic and its regions.

The principles of economic sovereignty can be realized under the following conditions:

- conclusion of a treaty with the Union of SSR that clearly reflects the distribution of powers between Belorussian SSR and the USSR;
- legislative embodiment in the BSSR Constitution of the republic's sovereign right to deal with all matters in development of its own economy and the sphere of social welfare;
- creation of a mechanism for reaching agreement in order to protect and reconcile the interests of Belorussian SSR in relations with other republics;
- a major change in the system of administration at the level of the republic and local self-government;
- adoption of a new political-administrative division in order to ensure the economic self-sufficiency of regions.

### 1.2. Goals and Tasks

The main objective of Belorussian SSR's transition to the principles of economic sovereignty is to create a new socioeconomic system which reflects the interests of the republic and the declared will of its people, which uses all the advances of world civilization, and which furnishes the republic's government bodies the sovereign right to work out and implement the strategy and tactics of socioeconomic development aimed at improving the quality of the people's life, at development of its intellectual potential, and at maintaining an ecologically satisfactory state of the environment.

The most immediate goals consist of bringing about the conditions necessary for the following:

- correction of the deformations and disproportions that have come about in past years in the location of the productive forces and the structure of the BSSR economy;

- performance of an interrelated set of measures to overcome the consequences of the accident at the Chernobyl Nuclear Power Plant;
- preventing a drop in the standard of living during the transition from the administrative-command system to a regulated market system;
- recovery of the economy of the republic and all its regions, stabilization and subsequent stable growth of the material supply to the public thanks to a rise in production efficiency and social reorientation of BSSR's economic complex.

For citizens of Belorussian SSR, the republic's economic sovereignty must signify the following:

- close correlation of the standard of living with the results of work in the system of social production;
- the true value of demonstration of the individual's creative ability on the basis of free choice of jobs;
- opportunities for protecting and strengthening mental and physical health, satisfaction of needs, and social welfare protection;
- high prestige for business enterprise and conscientious work;
- an economy turned toward human beings;
- a satisfactory state of the natural environment.

At the national level of Belorussian SSR, economic sovereignty must guarantee the following:

- the building of civilized socioeconomic structures guaranteeing the growth and efficiency of social production, priority development of the social sphere, protection and improvement of the natural environment, and a growth of the national wealth;
- improvement of the demographic situation;
- development and improved use of the potential of the national culture and intellectual potential;
- harmonious development of all nationalities and ethnic minorities living in the republic and preservation and enhancement of their cultural and spiritual legacy;
- a high level of activity and independence of Belorussia in relations with the other union republics and foreign countries.

### 1.3. Relations With the Union of SSR and Union Republics

The republic's economic sovereignty is evolving in stages. The stage that has the greatest importance and priority is to set down in legislation (and adjust in practice) a legal mechanism for relations among Belorussian SSR, the Union of SSR, and the union republics. This mechanism must envisage standards and procedures for reconciling state interests, for resolving conflict situations, and for organizing various forms of cooperation. Those standards and procedures are set down in the Constitutions of the USSR and BSSR and in the updated Treaty With the Union of SSR, and they define the spheres and functions which are the exclusive jurisdiction of the USSR as well as that range of matters which are dealt with jointly.



In keeping with the principles of economic sovereignty, the following are included in the jurisdiction of the government bodies and administrative agencies of Belorussian SSR:

- location of the productive forces and segments of the social infrastructure and comprehensive and ecologically safe economic and social-and-cultural development on its territory;
- the problems of social development, employment of the population, regulation of personal income, pension coverage, and other forms of social security.

Belorussian SSR has the right to enter into direct economic and cultural relations with the union republics and to conclude bilateral and multilateral agreements necessary to that purpose provided they are not contrary to the interests of the Union of SSR.

The republic has the right to interact with foreign states, to conclude treaties with them, to exchange diplomatic and consular representatives, and to take part in foreign economic relations and in the activity of international organizations.

In matters of satisfying the needs of the public, the use of labor resources, and protection of the environment, republic agencies of Belorussian SSR coordinate and monitor the activity of enterprises, organizations, and institutions that belong to the Union of SSR and to the other union republics.

Belorussian SSR voluntarily transfers to the jurisdiction of the bodies of government and administrative agencies of the USSR those aspects of state, economic, and social-cultural construction which safeguard the general interests of the peoples coming together to form the Soviet Federation, and through its authorized representatives it takes part in dealing with the problems that arise in this connection in the relevant bodies and agencies of the Union of SSR.

In the area of joint jurisdiction of the Belorussian SSR and the Union of SSR, the following are transferred to the supreme bodies of government and administrative agencies of the Union of SSR:

- establishment of the general principles of civil, land, forest, water, mining, criminal, crime-prevention, financial, and labor legislation, legislation on social security and pension coverage, on environmental protection, on administrative infractions, the judicial system, and legal procedures;
- definition of the legislative foundations of economic activity and the functioning of the market;
- establishment of nationwide taxes, levies, and mandatory payments into the budget;
- general policy in the area of pricing, organization of the financial-and-credit system and the circulation of money;

- formation of nationwide reserve funds, insurance funds, and other funds;
- establishment of the organizational principles of customs administration.

The powers of the Union of SSR and Belorussian SSR in the sphere of their joint jurisdiction may be redistributed between the Union of SSR and the republic through conclusion of treaties and agreements between them that take into account the particular features of development of Belorussian SSR. In those cases when a particular matter falling in the sphere of joint jurisdiction of the Union of SSR and the republic has not been dealt with by a law of the USSR, the republic has the right of legislative regulation of relations in the relevant area on its own and to the full extent.

The supreme bodies of the republic's government may protest decrees and orders of the USSR Council of Ministers if they violate the rights of the union republic. Disputes are settled by the USSR Supreme Soviet.

The supreme bodies of government and administrative agencies of Belorussian SSR have a right to stay execution on its territory of legislative acts of the USSR which go beyond the powers of the USSR voluntarily transferred by Belorussian SSR to the Union of SSR in the renewed Treaty With the Union of SSR, and also acts of ministries, state committees, and departments of the USSR should they violate legislation of the USSR and BSSR. In such a case, the republic notifies the USSR Council of Ministers, and if necessary it places the matter before the Council of the Federation or the USSR Committee for Constitutional Oversight.

## 2. The New Economic System

BSSR economic sovereignty is capable of achieving the goals and performing the tasks set forth in the first section provided the command-administrative system is entirely dismantled and replaced with a new system that functions according to the laws of a regulated market. A more or less lengthy period is required to put it in place, and during that period the socioeconomic, legal, organizational, and technical prerequisites and also specific structures of the market economy will be shaped. During that period, the foundation must be laid for performing the long-range tasks of revamping economic structures.

Formation of the mechanism of a regulated market economy is capable of releasing social energy and creative powers of the people and of calling upon powerful new factors of economic growth.

### 2.1. Basic Features of the Economic System

The basic features of the mechanism of a regulated market economy are as follows:

- use of various forms of ownership with an orientation toward optimal denationalization of property;
- decentralization and democratization of regional management;

- equal partnership in relations with the Union of SSR and union republics and also in foreign economic relations;
- economic independence of all participants in social production;
- a qualitatively new role of the state and of its administrative agencies, consisting of ensuring the transition to a regulated market economy and its effective operation;
- unrestricted hiring and discharge of workers and formation on that basis of a manpower market, with a clear system of social guarantees and social protection of individuals;
- use of free, regulated, and fixed prices;
- a tax policy that is uniform for various levels and taxpayers so as to stimulate priorities for socioeconomic development, including appropriate institutions for carrying out that policy;
- new principles governing the formation and use of the republic budget and local budget so as to guarantee self-government and self-financing;
- a new structure of banks, including the Belorussian Republic Bank of USSR Gosbank and the Bank of Belorussian SSR, which regulate the circulation of money and credit financing and also the related system of commercial banks, which possess real liquidity of their own and render a broad range of services to juridical and natural persons, including the buying and selling of stocks, bonds, treasury certificates, promissory notes, and other securities;
- periodical indexing of personal income on the basis of regular estimation and publication of the cost-of-living index for various social groups.

## 2.2. Property Relations

The property of the republic and of its citizens, which constitutes a separate part of the entire property of the Union of SSR, constitutes the basis of the economic sovereignty of Belorussian SSR.

In Belorussian SSR, property mainly takes the following forms: state property of Belorussian SSR and of its administrative-territorial structures; collective property of enterprises, cooperatives, joint stock companies, public associations, and other associations which are juridical persons; private property; and various mixed forms. Property of the USSR, the other union republics, foreign states and their juridical and natural persons is also permitted in Belorussian SSR within the legislative limits it establishes. Facilities located on the territory of other union republics and foreign countries created or purchased with the resources of Belorussian SSR are the property of Belorussian SSR.

The land, minerals, inland and territorial waters and their resources, flora and fauna, airspace, and other natural resources are the state property of Belorussian SSR.

The property of government bodies and administrative agencies, ethnic, cultural, and historical monuments,

enterprises, associations, national economic complexes, banks, insurance funds, reserve funds and other funds, the resources of the republic budgets, higher and secondary educational institutions, scientific research and project planning organizations, facilities in the social and cultural service sphere, and other property are included in the property of the republic and its people.

The updated Treaty With the Union of SSR establishes the piece-by-piece definition of ownership of Belorussian SSR. Here, the leadership of the republic proceeds on the basis of the following basic criteria:

- the necessity of augmenting the national wealth of Belorussian SSR;
- elimination of departmental cross-purposes in location of the productive forces and reorientation of the economic structure of the republic toward its own final consumption and effective participation in the interrepublic and international division of labor;
- acceleration of the solution of key scientific-technical problems that ensure that products manufactured in the republic will attain the world level;
- achievement on a priority basis of the solution of social problems in the areas of education, health care, recreation, etc., as well as the supply of food and industrial goods to the republic's population;
- improvement of the republic's environment and above all the zone affected by the accident at the Chernobyl Nuclear Power Plant.

All forms of ownership are protected in BSSR by legislation of the republic, and conditions are being brought about to enable each of them to develop.

## 2.3. Entrepreneurial Activity

Entities carrying on economic activity, i.e., independent state, collective (cooperative, joint stock, etc.), state-collective, and joint (interrepublic and international) enterprises, organizations, and firms, as well as private producers and merchants, are the foundation of the new economic system of Belorussian SSR. They operate on the principles of self-management, cost recovery, self-financing, and economic expediency.

Entities carrying on economic activity which are based on collective and private forms of ownership are not administratively subordinate to ministries and departments; their activity is regulated by current legislation of Belorussian SSR and by economic methods. The activity of state enterprises and organizations with extradepartmental status and also those which are in branches of physical production which are not infrastructural in nature is regulated in exactly the same way.

The activity of state enterprises belonging to the infrastructure of production, social welfare, and the environment is regulated by combining economic methods with administrative subordination to ministries, departments, and local administrative structures.

Entities carrying on economic activity are created according to the procedure established by legislation of

Belorussian SSR, as a rule according to the normative principle, and they begin to operate after registration in the appropriate body of the republic or local administration which issues the license or permit and concludes an agreement with them. Legislation designates the bodies for republic and local management of state property, which register, issue licenses, and conclude agreements with all entities carrying on economic activity.

All entities now carrying on economic activity are being reregistered when the new economic system takes effect in Belorussian SSR.

On voluntary principles and using their own property of various kinds, entities carrying on economic activity have a right to create associations on conditions that do not contradict legislation of Belorussian SSR. They organize and direct their production and economic activity in accordance with standards established in contracts with suppliers of material and technical resources, with financial, credit, tax, insurance, and brokering organizations, with consumers of products and services, and with regional bodies of government and administrative agencies.

Equivalent commodity-money exchange with mutual benefit and in keeping with the goodwill of the participants is the basis of economic relations of entities carrying on economic activity. State orders are accepted on competitive principles.

The bodies of government and administrative agencies of Belorussian SSR and of its administrative-territorial structures exercise an influence on the activity of entities carrying on economic activity by means of the tax system, state orders, depreciation rates, the lending rates of the bank of Belorussian SSR, subsidies, investment benefits, budget financing, quotas, standards, and so on, in order to pursue the interests of the republic and local interests. State orders are financed from the republic budget and local budgets.

Every economic entity taking part in economic relations makes decisions exclusively on the basis of its own benefit. No one except the management bodies designated by its charter has the right to set mandatory targets, establish restrictions, or issue mandatory planning indicators to economically independent enterprises and organizations.

After payment of taxes into the budget and also settlement of accounts with other organizations and individuals, any economic entity independently disposes of the income that remains.

No one except the bank, the tax inspectorate, the court (arbitration commission), and procurator's office has the right to verify the economic activity of enterprises, organizations, and institutions (excluding state enterprises) and the distribution and use of their income.

The freedom of enterprise of entities carrying on economic activity, which is based on self-management, cost recovery, and self-financing, signifies their greater economic responsibility for the results of economic activity. Entities carrying on economic activity which do not achieve cost recovery, and consequently are insolvent, are subject to legislation of BSSR and the USSR on insolvency and bankruptcy.

Development of market relations and entrepreneurial activity must be accompanied by a vigorous antitrust policy, which is called upon to interdict the creation of any restrictions and to promote the development of competition in the economy and to do everything to support and stimulate it.

Republic and local bodies of self-government and other official bodies envisaged by legislation of Belorussian SSR may terminate the activity of any entities carrying on economic activity if they violate current legislation in Belorussian SSR or if they do not meet the requirements of agreements concluded with administrative bodies at all levels.

#### **2.4. The Shaping of Market Relations and the Market's Infrastructure**

Multiple forms of ownership and entrepreneurial activity create the most important prerequisites for the evolution of market relations in Belorussian SSR.

The basic prerequisites of a regulated market are as follows:

- imparting to all entities of Belorussian SSR carrying on economic activity the authentic status of commodity producers with the right to produce products and to buy and sell material and technical resources and securities;
- maximum permissible freedom of pricing;
- flexible and effective republic and local tax systems;
- a system of state orders that is economically advantageous for producers;
- competition combined with an energetic antitrust policy;
- material and financial balance;
- correspondence between the structure of the republic's production, deliveries from other republics, and imports to the structure of effective demand;
- effective republic and local economic regulators of socioeconomic relations;
- systems for social protection of various groups of the population—republic and local and within work collectives.

These basic prerequisites are being brought about in practice through the creation and development of the specific infrastructure of the market economy in Belorussian SSR. The latter mainly consists of the following:

- sectoral, intersector, and regional trading, financial, brokering, licensing, commercial, marketing, and dealer firms and associations;



- the central bank, reserve banks, banks for innovation, and commercial banks, credit companies and insurance companies with their own liquidity, and commodity and currency exchanges;
- auditing firms, tax inspectorates, and financial and commercial information centers;
- representative offices for trade and economic matters.

In any realistic assessment of the socioeconomic and scientific-technical conditions of Belorussian SSR, the transition from the administrative-command model of management to the functioning of the economy by the laws of the regulated market must be accomplished not by methods of "shock therapy," but by carrying out a purposive program of the transitional period, strictly fixed in time, including the following stages:

- preparation of the prerequisites of the market and the market infrastructure;
- elimination of the deficit in the budget of Belorussian SSR, achievement of material and financial balance, stabilization and convertibility of the currency;
- establishment of the regulated market with an effective mechanism of competition, high motivation of entities carrying on economic activity, and social protection of the population.

The following are necessary in the process of preparation for the transition to the regulated market:

- drafting and adoption of a package of republic laws guaranteeing creation of the prerequisites and infrastructure of the regulated market and social protection of indigent strata of the population;
- an effort to create joint production operations with enterprises of the union republics and foreign countries in order to provide employment for existing production capacities and manpower of Belorussian SSR and to optimize its sectoral structure in the future;
- conclusion of long-term bi- and multilateral economic and scientific-technical agreements with enterprises, associations, and governments of the union republics and foreign countries concerning deliveries of material and technical resources and scientific, project planning, and other documentation on a mutually beneficial basis arising out of the goals of the socioeconomic development of Belorussian SSR. To that end, the facilities of BSSR Gossnab and BSSR Mintorg are to be used to create a republic trade and purchasing firm with a network of affiliates, wholesale depots, and stores in Belorussian SSR and outside it, with its own marketing center for wholesale purchases and barter transactions with union and autonomous republics, enterprises, and associations located outside Belorussian SSR. The republic trade and purchasing firm and its affiliates are expected to operate on orders of the government, local administrative agencies, enterprises, organizations, institutions, and associations of Belorussian SSR. In addition to this firm, other trade and purchasing firms

may be created with a departmental, cooperative, or any other status;

- agreement with the union government and the governments of the union republics on the volume of deliveries by Belorussian SSR of material and fuel-and-energy resources at mutually advantageous prices;
- preparation of a set of interrelated republicwide and local measures for social protection of the population in the context of the regulated market;
- creation of a republic body for foreign economic relations and the opening of BSSR's trade and economic missions in a number of advanced and developing countries;
- introduction of the new specialty of economic law and a curriculum for training and retraining of specialists in the problems of the regulated market economy in economics VUZ's and institutes for improvement of qualification beginning in the next academic year;
- organization of a trainee program for specialists in the economy and the republic's scientists in institutions for management of the economy, institutes in the financial and credit infrastructure, and private firms of foreign countries.

If the priority measures we have enumerated are to be carried out, there will have to be transformations in the system and functions of BSSR Gossnab, BSSR Mintorg, BSSR Gosagroprom, and Belkoopsoyuz. All of these structures must substantially reduce the fear of administrative management, restricting it only to guidance of those facilities that bring to consumers centrally distributed material and technical resources and consumer goods. Commercial and brokering structures must be formed with a network of commodity exchanges and wholesale stores, which will become the primary units in the market infrastructure.

On the whole, the course should be adopted in Belorussian SSR of denationalizing the sphere of the distribution of commodities by leasing wholesale and large retail trade enterprises and transforming them into joint stock associations. Small and medium-sized enterprises in retail trade must become private, family, and collective property.

## 2.5. Remuneration of Labor and Employment

The bodies of government and administrative agencies of Belorussian SSR and also entities carrying on economic activity and trade union authorities independently define and implement a vigorous policy in the area of remuneration of labor and employment, a policy aimed at stimulating the high work activity of the population and at raising labor productivity, at creating equal opportunities for all workers to increase their earnings as a direct function of the contribution they make through their work to the results of production.

At the same time, measures are being carried out to prevent individuals from realizing income that is not related to the contribution of their work and efficiency of



work activity. The purpose of these measures is to maintain material and financial balance and to restrain inflationary processes.

In Belorussian SSR, republic bodies of government and administrative agencies must join with trade unions in working out a uniform system of rates of remuneration and qualifications and a system of salaries reflecting the specific nature of BSSR's economic complex and its goals and tasks. These systems are not binding, but are recommended. The BSSR Supreme Soviet approves for each specific period the minimum permissible level of wages (which may not be lower than that which has been adopted for the Union of SSR as a whole).

The systems and forms of the remuneration of labor are determined in each specific case directly by the enterprises themselves.

The remuneration of labor is to be improved above all in order to make it more flexible and adaptable to rapidly changing production conditions and socioeconomic conditions, which is an exceedingly important characteristic of a regulated market economy. The forms and methods of the remuneration of labor must ensure closer dependence of the level of remuneration of workers on their professional qualifications, the supply and demand of manpower at various levels of quality, and, above all, the volume and quality of performance of the production requirements and official requirements assigned to them.

A worker's total income in a market economy will include both wages and various kinds of supplements from profit and also dividends on stock and other securities, payments from social consumption funds, and income from miscellaneous activity. In order to stimulate the work activity of the population and the productivity of labor, the total amount of income of a particular worker is not subject to an upper limit.

The balance between personal money income and the amount of commodities being supplied to the consumer market is also guaranteed under the conditions of a market economy by means of taxes on consumption funds formed in enterprises, organizations, and institutions. To that end, in the transitional period to the regulated market other measures must also be taken in the sphere of material production toward firm restriction of the growth of the total wage fund so that it does not exceed the real growth of the physical volume of products and services.

In Belorussian SSR, the necessary conditions are being brought about for practical exercise of every citizen's right to conscientious voluntary work, to choose the place where he applies his labor regardless of regional location and the form of ownership, and also the right to choose work schedules. To that end, new jobs will be created, and there will be incentives for business enterprise, self-employment, and also the development of public works. All of this is called upon to achieve a rapid return to socially useful work of workers temporarily laid

off because unprofitable enterprises are closed down (bankruptcy) and also because of reorganization and retooling of production. In the republic and its various administrative-territorial units, agencies are being set up for retraining and sectoral and regional redistribution of manpower, job placement activity is being stepped up, including that related to the movement of people living in areas affected by the radioactive contamination resulting from the accident at the Chernobyl Nuclear Power Plant.

In its policy for the employment of labor resources, Belorussian SSR will rely on the experience of the other union republics and foreign countries, in particular on the experience of Sweden, which stands out among the advanced capitalist countries in having the highest level of employment of the able-bodied population and for having reduced unemployment to a minimum in practice.

## 2.6. Administration

Belorussian SSR independently forms the system, makeup, and structure of state and economic administration of the republic's economic and social development and its administrative-territorial units, guided by the following principles:

- consistent delimitation of the functions of state and economic administration;
- priority performance of social and environmental tasks;
- socially and economically beneficial participation of the republic in the interrepublic and international division of labor;
- democratization and decentralization of administration;
- step-by-step formation of the entire set of conditions and organizational structures guaranteeing the building of the new economic system based on the principles and methods of a civilized regulated market.

Implementation of these principles in practice presupposes the following:

- a qualitative change of planning, creation of a system of state regulation, restructuring of the budget-finance and credit systems, the circulation of money, prices and pricing, material and technical supply, and foreign economic activity;
- consolidation and reduction of the number of state administrative agencies as their functions undergo radical change;
- concentration of all the functions of economic management proper at the level of enterprises and organizations themselves;
- clear delimitation of the functions of the republic and local bodies of state administration and their rights and spheres of activity, ensuring the most favorable conditions and opportunities for self-government and self-financing of administrative-territorial structures of Belorussian SSR.

From the standpoint of optimizing management structures and making them less expensive and that of ensuring authentic self-financing and self-government, an acute need has arisen for transformation of the administrative-territorial division of Belorussian SSR.

No state economic administrative agency of Belorussian SSR and of its administrative-territorial units has the right to intervene in the economic activity of enterprises and associations except in cases specifically envisaged by legislation of Belorussian SSR.

The basis in economic law for relations between local administrative agencies and entities carrying on economic activity is the contract.

In keeping with the national interests of Belorussian SSR, the republic organizes scientifically sound and differentiated administration within the republic. Its main purpose is proportional and balanced development of the economy and social sphere of the regions within the republic in order to meet the material and nonmaterial needs of the population of the entire republic and in order to establish, preserve, and improve a healthy environment.

Administration must harmonize the interests of the republic and the administrative-territorial structures, utilizing and developing regional specialization of the economy and taking into account local natural-geographic, historical, and social-cultural peculiarities and people's production know-how.

These principles, goals, and tasks of state administration of the economy of Belorussian SSR are realized and performed through the necessary set of political, legal, and economic instruments and methods, assuming appropriate organizational structures of administration.

#### 2.6.1. Planning and Regulating the Economy

In the context of a regulated market economy, a fundamentally new system of planning and economic regulation takes shape and functions. What is new about the planning system is that it has a fundamentally different role and place in management of social production than it does today, new goals, content, methodology, and methods of drafting planning documents, a new institutional organization, and also new procedures for monitoring plan fulfillment.

Assuming purposive denationalization of the property of Belorussian SSR, the plan will figure not as the main, binding, and centralized regulator of the development of social production, but mainly as a reference plan, proposal plan, whose fulfillment aims at harmonizing the interests both of self-managing economic entities and also of the people of Belorussian SSR. The plan will become a link in the entire interconnected chain of principal regulators of economic development.

The main points in the content of planning will be the following:

- discovery, assessment, and forecasting of medium-term and long-term trends in the development of the principal macroeconomic interrelationships;
- drafting of the strategy and tactics for the republic's economic and social development, determination of the quantitative values of the principal economic regulators: the state order, fixed prices, taxes and benefits, state investments and loans, insurance reserves and other reserves, etc.;
- shaping of the government's socioeconomic policy.

Planning methodology and methods will be based on the following:

- first, the clear and consistent social orientation of plans and programs;
- second, thorough analysis of the qualitative results of the republic's socioeconomic development in order to discover the trends, conditions, and factors of structural shifts in such fundamental areas as the following:
  - the quality and standard of living of the people of Belorussian SSR in a breakdown by social groups and regional agglomerations;
  - development of demographic processes;
  - the state of the natural environment and natural resource use;
  - scientific-technical and organizational support of social production and the social infrastructure; state of the science intensiveness of production;
  - effectiveness of foreign economic activity;
  - effectiveness and mobility of the productive plant as compared to the entire complex of social and personal needs;
- third, a system of forecasts and preplan workups concerning the principal parameters of macroeconomic processes and methods of achieving them in the context of the functioning of the regulated market.

The following preplan documents will be drafted in the republic:

- long-range program for socioeconomic development on the basis of the Comprehensive Program of Scientific-Technical Progress and Scheme for Development and Location of the Productive Forces, which will define specific time periods and priorities in development of the spheres and sectors of the economy and regions;
- target programs for achieving development priorities;
- summary financial balances, including the foreign exchange balance;
- a system of material and value balances for determination of the conditions and factors of material and financial balance.

This results in the shaping of a new and interconnected system of current, medium-term, long-range plans for socioeconomic and scientific-technical development divided into sections subject to approval by the republic's supreme legislative body—the BSSR Supreme

Soviet and the supreme bodies of the administrative-territorial units—the soviets of people's deputies. These sections will be as follows:

- the budget;
- the summary of economic, social, and environmental rates, standards, and targets;
- state orders and quotas and also the conditions for their placement and fulfillment;
- key republic and regional target programs;
- limit-allowances for centrally allocated material and financial resources;
- the export-import balance;
- legal and organizational support of plan fulfillment.

Enterprises, associations, and local bodies of self-government draft plans and organize their fulfillment independently, clearing these plans with local authorities on matters concerning development of the social sphere.

#### 2.6.2. The Financial and Budget System

The financial and budget system of Belorussian SSR is furnished with financial resources formed from the resources of the republic and local budgets, off-budget receipts, a portion of the income and resources of state, public, and collective enterprises and organizations, bank credits, and personal resources.

The basis of the republic's financial resources is the state budget of Belorussian SSR, which consists of the independent republic and local budgets.

The procedure for the compilation, examination, approval, and execution of the republic and local budgets and of the relations between them, as well as the rights and duties of disbursers of budget resources are determined by legislation of Belorussian SSR on the basis of the following principles:

- clear delimitation of expenditures between Belorussian SSR and its administrative-territorial units at each level of the budget system;
- formation of the revenues of republic and local budgets on the basis of long-term stable tax rates and also payments for natural and labor resources;
- granting of broad rights to local soviets in setting up off-budget funds.

The bodies of government and administrative agencies determine the taxes, levies, and mandatory payments, including payments for natural and labor resources, which go to formation of the republic and local budgets.

The procedure and proportions for crediting to the state budget of Belorussian SSR payments from profit (income) of enterprises and organizations which come under unionwide ownership are determined by agreement with the Union of SSR.

The Supreme Soviet of Belorussian SSR and local soviets of people's deputies independently determine the list of sources from which revenues are collected and the structure of expenditures of the republic and local budgets,

respectively, including the procedure for formation of reserve funds and other funds.

Revenues additionally collected or savings on expenditures, and also resources unspent at the end of the year remain entirely at the disposition of republic and local budgets. Losses of revenues and additional expenditures are not made up from budgets at the higher level.

Combined statewide and republicwide programs and funds are formed for accelerated performance of urgent and priority measures in regions which have an elevated environmental hazard. They are financed with funds both from the budget of the USSR and also from the regional development fund formed in the republic, including resources of republic and local budgets, earmarked contributions of enterprises and organizations, as well as personal contributions.

#### 2.6.3. Organization of the Circulation of Money and Credit

The shaping of the new economic system of Belorussian SSR and the transition to the regulated market economy make it a necessity to restructure the present organization of the circulation of money, credit financing, and the banking system.

On behalf of effective regulation of the circulation of money within the republic and to moderate and overcome inflationary processes and protect the republic market, if necessary a Belorussian monetary unit may be introduced alongside the Soviet ruble or electronic cards and checks may be used, mainly to serve the trade sector, production of consumer goods, and the system of paid services to the public.

The use of credit resources formed on the territory of Belorussian SSR and determination of their use are the prerogative of the republic.

Credit resources may participate on the principles of payment of interest and repayment in formation of the state budget of Belorussian SSR and may also be transferred by mutual agreement to USSR Gosbank or the banks of other union republics.

The Belorussian Republic Bank of USSR Gosbank, in agreement with USSR Gosbank, performs the entire range of practical functions and operations of a central bank, including the following:

- formation of its own capital and reserves;
- management of the circulation of money in Belorussian SSR;
- determination of the volume and channels of inflow and outflow of cash;
- management of interest rates on credits issued by banks at the second level (including determination of the limits of fluctuations of the interest rates for those banks);
- registering and monitoring the activity of commercial correspondent banks of the Belorussian Republic Bank of USSR Gosbank and the setting of standard economic rates and allowances for those banks;



- establishment of the size of deductions to the republic fund for regulation of credit resources;
- licensing of banking operations conducted in foreign exchange.

Commercial banks carry on cost-accounting activity in accordance with the general regulations and rules established by legislation of Belorussian SSR concerning banks, they accept and place the uncommitted money resources of enterprises, institutions, organizations, and individuals, including deposits in foreign exchange, and they also render other forms of banking services to their customers on a commercial basis. Local soviets of people's deputies have a right to participate financially in creation of commercial banks and other financial and credit institutions.

Under the new economic conditions, banks must conduct a vigorous interest-rate policy on loans by regulating the payment for credit and must bring about a reduction of the costs of banking operations. On behalf of the stability of the banking system and arousing interest in loans, it is indispensable to set up a system for insuring (guaranteeing) credit risks.

The restructuring of the systems of the circulation of money and credit must also include creation of special financial and settlement centers conducting credit operations and licensing operations, including placement of funds in reserve in the Central Bank.

#### 2.6.4. Prices and Pricing

During the period of transition to the regulated market economy in Belorussian SSR, the following types of prices are to be in effect:

- state fixed retail prices and rate schedules for the most important commodities and services;
- state wholesale purchase, and estimate prices for products, raw materials, and projects ordered by the government bodies of the republic (state orders), which are established by state authorities of Belorussian SSR for the period of stabilizing the market and the circulation of money;
- flexible purchase prices of agricultural products to be delivered by virtue of the tax in kind, which are set so as to take into account the dynamic behavior of prices of material and technical resources acquired by agriculture;
- contract (market) prices, which are formed on the basis of agreement between the customer and the seller in accordance with supply and demand.

Contract prices are used when government authorities of the republic conclude trade agreements for the purchase and sale of raw materials, supplies, equipment, consumer goods, farm products, and other products outside Belorussian SSR, and also in the independent commodity trade of enterprises with customers in other republics.

As the market evolves and becomes stronger, the setting of wholesale and retail prices passes over into the sphere of the circulation of commodities. State regulation of prices is retained only for a restricted list of consumer goods and paid services, involving simultaneous compensation to the public of the difference if such prices should be higher. Prices are balanced by stimulating competition among enterprises on the basis of antitrust legislation.

State statistical authorities of Belorussian SSR regularly report the dynamic behavior of retail prices and rate schedules through the mass media. A procedure is established for keeping price records and using price indices in regulating personal income.

#### 2.6.5. Material and Technical Supply

In the period of the transition to market relations, government authorities and administrative agencies of Belorussian SSR organize the creation of progressive new forms of material and technical supply by means of the following:

- organization of specialized production operations to procure and process secondary resources, to create new materials and fabrications, etc.;
- development of wholesale trade in machines and equipment;
- promotion of the establishment of direct ties between manufacturers and consumers;
- the state order and setting of quotas in order to guarantee the stability of the material and technical supply of enterprises;
- enhancement of the role of wholesale organizations operating as intermediaries in establishing economic ties between enterprises when the character of consumption is irregular;
- sale of commodities through manufacturer's outlets, fairs, and auctions, commodity exchanges, etc.;
- development of other units in the market infrastructure;
- elimination of monopoly tendencies that infringe on the interests of consumers;
- strengthening of interrepublic processes of integration.

The new forms of material and technical supply must guarantee fulfillment of all the main conditions of deliveries, clear observance of state standard rates and allowances concerning the use of raw materials, energy, and material and technical resources. At the same time, standard rates of consumption of nonrenewable resources and resources brought into the republic should be tightened and penalties increased for their inefficient consumption.

As the regulated market evolves, a new institutional structure is formed for the distribution of commodities, including material and technical supply. Its main components will be republic, regional, intersector, and sector



commercial firms competing with one another and performing all the functions involved in the trade in commodities.

#### 2.6.6. Foreign Economic Activity

Effective socioeconomic development of Belorussian SSR in the context of economic sovereignty and the regulated market is not possible without its active inclusion in the world economy. To that end, the system of the new economic mechanism must include a full-fledged component guaranteeing broad and effective participation in foreign economic activity of both the bodies of state government and administrative agencies of Belorussian SSR on the one hand and juridical persons on the other. The following are seen as priority measures:

- fundamental restructuring of the system for management of foreign economic activity in conformity with the general principles of the economic reform and the republic's economic sovereignty;
- clear division of functions between the sphere of management of foreign economic relations and the sphere of their practical performance;
- decentralization of foreign economic activity and assurance of the business independence of enterprises, combined with creation of a reliable system for its state regulation.

In Belorussian SSR, all enterprises and organizations registered with government bodies of Belorussian SSR as participants in foreign economic activity are entitled to take direct part in export and import operations. Foreign economic activity is based on foreign exchange cost recovery in accordance with legislation of Belorussian SSR.

The bodies of state government and administrative agencies of Belorussian SSR do not intervene in the operational activity of exporters and importers.

The bodies of state government and administrative agencies of Belorussian SSR have the right to conclude any international agreements in the area of economic activity if their validity extends to property of Belorussian SSR. They decide the following questions of foreign economic activity:

- formation in the republic of an organizational structure of foreign economic relations and the creation of republic and local foreign economic entities;
- determination of the procedure whereby associations, enterprises, and organizations located on the territory of the republic gain access to the external market;
- creation of representative offices of foreign firms, banks, and organizations on the territory of the republic;
- conduct of export and import operations related to products (jobs and services) of enterprises, associations, and organizations located on the territory of the republic, provided obligations related to deliveries within the union are met;

- determination of the procedure and conditions for registration of joint enterprises, international associations, and organizations in which foreign firms and organizations participate being created on the territory of the republic;
- making of decisions concerning conduct of commodity trade operations of the republic's foreign trade organizations involving products that fall within the jurisdiction of the Belorussian Council of Ministers, with all countries;
- development of foreign tourism and its material and technical base, conclusion of agreements with foreign firms concerning cooperation in this area;
- organization of exhibitions, fairs, symposiums, and cultural, athletic, and other events on a commercial basis, and also development of advertising activity;
- taking of credits in convertible currency directly from foreign firms and banks covered by guarantees of the borrowers;
- issuance of permits to associations, enterprises, organizations, cooperatives, and joint enterprises to conduct operations with foreign exchange;
- opening of special foreign exchange accounts for associations, enterprises, organizations, cooperatives, and joint enterprises for keeping a record of donations and gifts in foreign exchange;
- conduct of diverse investment activity in foreign countries;
- establishment of international air, maritime, rail, and highway transportation between the republic and foreign countries;
- determination of the procedure for insuring foreign economic transactions with a view to this being done by Soviet insurance authorities.

Belorussian SSR forms its own state foreign exchange fund as part of the BSSR State Budget out of tax proceeds from enterprises, organizations, and individuals and also from purchases of a portion of the foreign exchange proceeds of enterprises and organizations.

The entire system of foreign exchange deductions must be restructured on fundamentally new principles: exporters of products and services will pay deductions of foreign exchange into the union, republic, and regional funds not according to sector, but according to commodity.

In the first stages of the creation of the new economic system, there must be an increase in the role and responsibility and a broadening of the rights of the Belorussian Republic Bank of USSR Vneshekonombank in developing foreign economic relations of enterprises and organizations of Belorussian SSR.

It must acquire the right to independently:

- dispose of foreign exchange credit resources formed on the territory of the republic;
- conduct direct settlements and payments with foreign banks concerning all types of foreign economic activity;

- issue guarantees in the necessary cases of prompt repayment of credit duly obtained by Soviet and joint enterprises from foreign banks;
- conduct operations of purchasing and selling the resources of foreign exchange funds which are in accounts of enterprises and organizations located on the territory of the republic for Soviet rubles.

Later, a republic bank interacting with USSR Vneshekonombank and foreign banks may be created under the oversight of the bodies of state government of the Belorussian SSR.

Belorussian SSR, which is a sovereign state, must take a more active part in the activity of international economic organizations and must take their recommendations into account in its legislation and administrative activity.

Belorussian SSR is not liable for performance of obligations under international agreements of an economic character concluded by the other union republics. Belorussian SSR is liable for agreements concluded by the Union of SSR within the limits established by the Treaty With the Union of SSR.

#### 2.6.7. Organizational Structures of Administration and Management

In view of what has been set forth above, the organizational structures of management of the economy of Belorussian SSR are divided into two groups:

- organizational structures of state administration;
- organizational structures of economic management.

The organizational structures of state administration of the economy of Belorussian SSR are to undergo successive transformations as the transition is made to the new economic mechanism.

Execution of legislative acts of Belorussian SSR concerning development of the production spheres and the sectors of the economy must be made the responsibility of a sharply reduced number of sectoral ministries and departments than are now in existence, and they are to use predominantly economic methods in state administration of the following spheres of the economy: industry, agriculture, construction, transportation, natural resource use, scientific-technical support, the social infrastructure—with separate indication of public education, health care, culture, social security, etc.

Guided above all by the interests of the people of Belorussian SSR and the population of its various regions, departments must perform state functions of regulating production, must furnish specialized scientific, technical, information, commercial, and juridical services to enterprises and associations in this sphere, must set up appropriate scientific-technical and information centers, and must manage them, conduct investigation of markets, supply and demand, and price dynamics, and must take part in the creation of new state enterprises and liquidation of existing ones.

Execution of legislative acts of Belorussian SSR of a general economic nature that concern planning, financing, credit financing, the circulation of money, pricing, tax policy, the social problems of labor and everyday life, legal and statistical support, and environmental protection are the responsibility of republic functional ministries and departments and also of the departments of the executive committees of soviets of people's deputies of the administrative-territorial units of Belorussian SSR.

State functional administrative structures, their makeup and activity are expected to meet the requirements of a regulated market economy. Accordingly, the main tasks of the bodies making up those structures must be the following:

- definition of the prospects (medium-term and long-range) for socioeconomic development so as to take into account achievement of the balance of physical and financial flows in their sectoral and regional aspects, effective interrepublic and international division of labor; determination on that basis of the values of the parameters that govern the conditions of the market: taxes, tax benefits, interest rates, depreciation rates, state orders, quotas, licenses, fixed prices, the minimum wage, etc.;
- current, medium-term, and long-range budget planning, including the drafting of alternative versions of annual and five-year budgets;
- monitoring the conduct of tax policy and price policy, and also the policy for social welfare of individuals;
- monitoring and regulating product quality, the processes of the circulation of money, credit operations in foreign exchange, and the issuance of securities;
- monitoring the observance and development of civil (economic) and labor legislation;
- regulation of commodity trade and the foreign economic activity of the republic, its regions and entities carrying on economic activity.

On the basis of these tasks, the following principal functional ministries and departments are formed in Belorussian SSR:

- State Planning and Financial (Economic) Committee with structures that would perform the entire range of planning calculations and workups of current, medium-term, and long-range socioeconomic development of the republic and its regions, including determination of the parameters regulating the market economy;
- State Budget and Tax Inspectorate to monitor realization of tax policy and execution of the state budget and to act as the agency for managing state property of Belorussian SSR;
- State Committee for Foreign Economic Relations which organizes and directs the entire foreign economic activity of Belorussian SSR, its enterprises and organizations, including international tourism, creation of free zones and investments of Belorussian capital in foreign countries;

- Ministry of Interrepublic Relations which is responsible for placement of state orders, for monitoring and achievement of quotas, for creating joint enterprises with other union republics, for regulating distribution of limit-allowances of physical resources, and for guidance of the activity of republic, sectoral, intersector, and regional commercial and brokerage firms, centers, depots, etc., with respect to methodology and methods;
- State Inspectorate for Product Quality and Prices, whose responsibility it would be to oversee the quality of consumer goods, their meeting of public health and hygiene requirements, and also the observance of prices regulated by the state and pricing procedures;
- State Bank of Belorussian SSR with its own capital and reserves which would regulate money and credit relations and purchasing power of the money on the territory of the republic and would monitor enforcement of laws on activity of all other settlement and credit institutions on the territory of the republic;
- Ministry of Justice which would mainly retain its present functions;
- State Committee for Statistics and Accounting which would regularly make an objective assessment of the dynamic behavior of socioeconomic processes, market conditions, the level and quality of the life of the population, etc., and would also define the general methodology and methods of organizing accounting and forming the accounting balance sheet for enterprises, organizations, and institutions under all forms of ownership.

The range of state management structures at the level of administrative-territorial units of Belorussian SSR is formed by the respective soviets of people's deputies on their own.

The organizational structures of economic management are formed primarily on a voluntary basis by independent enterprises and organizations belonging to diverse associations: consortiums, concerns, and joint stock companies. These associations organize and carry out the following:

- on the basis of state plans, orders, quotas, and their own brokering activity—long-range relations with suppliers of consumer goods, material and technical resources, scientific and design projects, and also long-term relations with transportation organizations, construction organizations, and other organizations;
- scientific-technical, information, legal, and economic services to their enterprises;
- marketing and advertising on both the domestic and international markets;
- personnel training and retraining;
- foreign economic activity.

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[Text]

### 3. The New Socioeconomic Policy

The effectiveness of any economic system's operation is achieved by means of consistent conduct of a scientific-

cally sound government policy. In the present stage, it is becoming particularly important for Belorussian SSR to consistently conduct a regional and social-and-cultural policy, including youth policy. At the same time, scientific-technical policy and economic policy still have paramount importance. In connection with the transition to a regulated market economy, investment policy, financial and credit policy, and tax policy are beginning to take on ever greater importance.

#### 3.1. Regional Policy

Regional policy in Belorussian SSR is called upon to help to improve the production specialization of both the republic and its regions, to strengthen the motivation of local bodies of administration and their responsibility for enlargement and efficient use of the potential of the region and for stabilizing and subsequently increasing the standard of living of the population.

The republic conducts a policy of priorities and protectionism with regard to development of the productive forces of the various regions or various sectors and branches within the region.

In connection with development and location of the republic's productive forces, faster efforts need to be made to eliminate the consequences of the accident at the Chernobyl Nuclear Power Plant by essentially changing the volume and structure of agricultural production in a number of regions.

On the basis of the goals in the socioeconomic development of Belorussian SSR and on the basis of a thorough analysis of the structure of production, imports and exports of industrial products, commodities, and food, the Government of Belorussian SSR conducts a policy of reorienting the activity of industrial and agricultural enterprises and organizations aimed at predominantly meeting the needs within the republic, at stabilizing the economy, and at reduction of shipping costs and non-production expenses.

The productive forces of the republic and its regions must develop in the future mainly through development of science-intensive production operations, broad use of resource- and energy-saving technologies, and the economic use of secondary raw materials and production waste.

A most important component of regional policy is the purposive regulation of demographic processes and settlement in Belorussian SSR. Republic and regional administrative agencies conduct a differentiated demographic and socioeconomic policy in view of the particular features of the regions, optimize the structure of employment, and carry out a set of interrelated measures to guarantee an optimum system of settlement so as to stimulate development of small cities and reestablishment of Belorussian hamlets and villages.



### 3.2. Social and Cultural Policy

Through its state and local administrative agencies and public organizations, Belorussian SSR conducts a vigorous social welfare policy aimed at the following:

- stabilizing and subsequently raising the standard of living and quality of life of the republic's population;
- harmonious development of the creative, mental, and physical abilities of every human being and protection of his health;
- achievement of the fullest possible effective employment of the population and a rise in its educational and vocational level;
- unswerving observance of the principles of payment according to the results of work and social justice, and achievement of social protection of the population;
- preservation and development of all nationalities and ethnic minorities living on the territory of the republic;
- prevention of possible social upheavals, crises, and conflict situations;
- acceleration of construction of housing and social, everyday, and cultural service facilities;
- reestablishment of an environmentally favorable natural environment in all regions of the republic, above all in the region affected by the accident at the Chernobyl Nuclear Power Plant.

In the context of the transition and subsequent development of market relations, particular attention will be paid to social protection of the population, above all strata and groups of the population most affected by the adverse impact of the market. A differentiated system of indexing the income of individuals must be introduced in accordance with the rise of the summary price index of all goods and services which are part of the minimum consumer budget.

It is envisaged that the indexing of personal income would be linked, first, to the real capabilities of various population strata and groups to increase their earnings under the conditions of the regulated market economy, and second, with the rate of inflation.

As market mechanisms for management of the economy take fuller effect, formation and use of social consumption funds must guarantee their accessibility to all strata of the population only within the limits of republic and regional standard quotas and allowances. Satisfaction of social needs over and above the republic and regional quotas and standards must come from the individual's own income.

In order to maintain the standard of living of indigent individuals unable to work, the measures envisaged by the USSR Law on Pension Coverage of Citizens in the USSR must be supplemented with funds from republic and local budgets, resources of enterprises and public organizations, and other steps must be taken, including raising the minimum level of the welfare pension and pensions for those who have worked for a long time, veterans, as well as benefits for children, and so on.

In order to reduce the social strain that has arisen in a number of sectors of the nonproduction sphere because of the prolonged freezing of wages, the fastest possible effort must be made to perform the measures outlined above to increase the remuneration of workers in health care and social security, libraries, club institutions, museums and exhibitions, state archives, theaters and other entertainment and cultural and educational institutions, and certain categories of personnel in public educational institutions.

In view of the inevitable layoff of workers in the economy in the context of the regulated market economy, an important place is being given in the republic's social welfare policy to practical solution of the problems of unemployment insurance and creation of a system of material assistance to the unemployed. To that end, deductions from the income of enterprises and organizations representing all forms of ownership are to be used to create a centralized republic fund from which unemployment benefits will be paid.

Local bodies of state government and administrative agencies must share with the republic administration the responsibility for providing guaranteed social welfare to the strata and groups of the population hurt most by the adverse effects of the market.

Social policy is closely bound up with cultural policy, which is aimed at ensuring consistent growth of the spiritual potential of the republic's people and at creation of favorable conditions for development of the national Belorussian culture and also the cultures of all other nationalities and ethnic minorities living on the territory of Belorussia. It is also supposed to guarantee unswerving development of creative principles and the spiritual and ethical exaltation of every person as an individual.

Socioeconomic and cultural life in the republic will be organized and managed on the basis of long-range comprehensive target programs drafted by republic and local administrative agencies with the active participation of public organizations and creative unions and the entire population and carried out through the plans for economic and social development of the republic, of its individual administrative-territorial units, and of enterprises and associations.

Social welfare and cultural policy will be financed so as to take into account the standard rates and allowances which have been adopted out of the revenues of the republic and local budgets, enterprise resources which are obtained, and also public funds built up from voluntary donations of the public.

Such donations must be freed of taxation in order to stimulate enterprises, organizations, and individuals to solve social welfare and cultural problems.



### 3.2.1. Population Policy

A central place in the socioeconomic policy of Belorussian SSR must be given to population policy. This policy must be aimed above all at ensuring expanded reproduction of the population of the republic and its various territories by raising the level of the birth rate and reducing the mortality rate in all age groups on the basis of a reinforcement of the family, major improvement of the health of the population, and the rise in its cultural level and vocational training. The most important tasks of population policy of Belorussian SSR in the coming period must be moving people very rapidly from areas affected by radioactive contamination resulting from the accident at the Chernobyl Nuclear Power Plant, including the creation of all conditions for their full-fledged life and work in new areas, and also a maximum slackening of unjustified migration, above all young people, from rural areas to the cities, which is seriously complicating the effort to solve the food problem.

To that end, a state system for aid to the family in order to stimulate a rise in the birth rate in the following ways should above all be drafted and implemented:

- lengthened leave for pregnancy and childbirth and the care and upbringing of infants to the age of three with payment at the level of the minimum wage and an increase in the lump-sum benefit for birth of a child and monthly payments to families with many children;
- payment of sick leave to young mothers to care for a sick infant regardless of how long they have worked at 100 percent of earnings;
- the granting of priority to families with two or more children in obtaining housing, garden plots, goods in great demand, and vacations at the time convenient to them;
- the granting of additional paid leave to women with two or more children under age 16;
- adoption of a uniform system of family benefits to indigent and incomplete families, including exemption from tuition for children in children's preschool institutions for those parents whose income per family member does not exceed the level of the subsistence minimum.

Steps must be taken at the same time to improve the social protection of women.

Particular attention must be paid to faster rebirth of the Belorussian village. A specific comprehensive program must be drafted for major improvement of living and working conditions of agricultural workers and members of their families.

Earmarked financing should be provided for these purposes in republic and local budgets.

### 3.2.2. Youth Policy

The point of departure of youth policy in Belorussian SSR must be that youth represent an active participant

in social development and the future of the republic and its people. This policy must be aimed above all at creating guarantees and real opportunities for the upcoming generation to become active in public life and also to increase the social protection of young people so as to take into account the difficulties that exist today in the exercise of their constitutional rights because of age, adaptation in the process of training and work, and social evolution as a whole.

As the transition is made to the regulated market economy and it develops in the future, paramount attention must be paid to radical improvement of popular education, regular education, and the work training of young people, they should be instilled with the new economic thinking, and a new economic culture, a high level of professionalism, business enterprise, and an ability to correctly evaluate the future must be developed. The young generation must be ready in every way to take an active part in carrying out the radical restructuring of the economy of Belorussian SSR on the basis of development of market relations and broad and effective use in the economy of the most recent advances of both domestic and foreign science and technology.

An important place must also be given to the following in the republic's state youth policy: drafting and consistent performance of a system of measures to create and develop healthy relations between generations, which makes it possible to achieve continuity in historical and national-cultural traditions, including those of the various nationalities and ethnic minorities inhabiting Belorussia. More attention must be paid to a wholesome way of life of young people and to their harmonious development.

In order to improve the preparation of young people to receive the most recent scientific-technical ideas, a system of continuing education should be set up using diverse forms of study, including lycees, academic high schools, schools for gifted children, and so on, students of higher educational institutions should be involved more widely in the conduct of scientific research and design work along the priority lines of scientific-technical progress, and everything should be done to promote the development of active forms of scientific-technical creativity of young people.

In order to achieve this goal, the necessary financial and physical resources must be allocated to fundamentally update the equipment of general public schools, vocational and technical schools, *tekhnikums*, and VUZ's [higher educational institution].

At the same time, measures should be drafted and carried out for radical enhancement of the material incentives and responsibility of secondary specialized and higher educational institutions for the quality of training of specialists for the economy, and ministries and departments, enterprises, and organizations should

be given similar incentives and responsibility for sound planning of their need for personnel and their effective use in the workplace.

In order to improve the work training of young people, measures have to be drafted and carried out to increase the socially useful significance and strengthen the material stimulation for the work of secondary and university students of *tekhnikums* and VUZ's which they do outside the academic process proper. There needs to be a substantial increase in the material responsibility of managers and specialists of enterprises and organizations assigned to conduct the workplace program of secondary and university students for efficient organization and remuneration of their work. Rectors of higher educational institutions and principals of secondary specialized educational institutions, with the help of trade union and youth organizations, should in turn take the necessary steps to bring about conditions for broad involvement of university and secondary students, above all in their future specialty, in work both in the educational institution (repairing buildings, utility installations, and other equipment, and so on) and also in the economy.

The necessary conditions should be created to impart to young people the unsurpassed values of domestic and world culture. University and secondary students should be given discounts from current prices on tickets to cultural institutions, theaters, and places of entertainment. At the same time, it is necessary to invigorate the professional activity of creative young people in the area of the Belorussian ethnic culture and art (at the same time, observing the equal rights of other nationalities living on the territory of Belorussia to develop their own culture), and also to revive and develop in every way the creativity of the people by invigorating amateur activity.

A central place in the republic's youth policy must be given to social welfare of the young generation, above all students of VUZ's, *tekhnikums*, and vocational and technical schools and to ensuring the fullest possible employment of those who are starting their work life. Along with major improvement of the quality of study and vocational training, making it possible for young specialists and workers to compete on an equal footing on the labor market with corresponding categories of experienced workers, measures should be envisaged to intensify material incentives of enterprises, organizations, and institutions to hire young people, including reduction or even exemption from payment for hiring graduates of VUZ's, *tekhnikums*, vocational and technical schools, and regular schools, tax benefits for enterprises creating additional jobs especially for young people.

Resources need to be mobilized from internal sources for major improvement of the housing and social and everyday services of the young generation, including university and secondary students. There is a need to expand substantially the practice of granting loans to young people earmarked for construction of private or

cooperative housing and also the scale of youth housing and housing construction cooperatives, including the appropriation of limit-allowances of material resources.

Particular attention must be called to the creation and preservation of families, above all those with children, including providing them with effective material assistance, optimum geographic location of enterprises along with proportional use of male and female labor, expansion of the use of unconventional employment schedules for young women with small children, creation of more favorable conditions for university students with children to go to school, and full satisfaction of the needs of families for children's preschool institutions.

In order to preserve and strengthen the physical health of the young generation, a system of financial and nonfinancial incentives should be worked out and implemented in a public movement for a wholesome way of life, measures adopted to create youth health centers in cities and rural localities, for strict observance of the sanitary and public health standards concerning the study, nutrition, home life, and rest and recreation of university students and students in secondary specialized educational institutions, and formation of a system for social-psychological and psychotherapeutic assistance to young people.

Not only centralized financial resources of the republic and local budgets, but also various kinds of off-budget resources can be used for financial support of youth policy. In order to stimulate voluntary appropriation of resources to solve the social and cultural problems of young people, those resources should not be taxed.

### 3.3. Scientific-Technical Policy

Scientific-technical policy of Belorussian SSR must be aimed above all at ensuring the social reorientation and humanization of scientific-technical development and consistent growth of the republic's scientific-technical, intellectual, and production potential. The strategic objective of scientific-technical policy is a fundamental technical and technological renewal of production so as to guarantee resource conservation, a rise of product quality to the level of world standards, and full observance of environmental requirements. The bodies of state government and administrative agencies must furnish legal protection to scientific discoveries, inventions, and other advances of science and technical progress both within the republic and outside it.

To that end, bodies of state government and administrative agencies, guided by current legislation of Belorussian SSR and jointly with the relevant ministries, departments, enterprises, and organizations, are taking the necessary measures to create from scratch, to expand, to reconfigure, and to eliminate in cases of inefficient operation scientific research, planning and design, and process engineering organizations, to develop pilot and experimental production operations, scientific-technical parks and technopolises, and other progressive forms of the relationship between science and production.

It is becoming extremely important to integrate academy, VUZ, and sector science and also to bring about a major increase in the supply of capital to science and the ratio between capital and the number of scientific associates, to improve information support, and to overcome with the utmost speed the serious lag behind the advanced capitalist countries that has occurred in past years.

The central place in scientific-technical policy must be assigned to bolstering science with highly qualified and at the same time highly ethical personnel capable of reviving the reputation which Belorussian scientists once had at the all-union and world levels. To that end, we need to draft and consistently implement a set of interrelated measures for improvement of qualifications and retraining of scientists, including trainee programs in the leading scientific centers of the USSR and the advanced capitalist countries, and also to increase the remuneration of labor and improve the housing and cultural and everyday living conditions of scientists.

Scientific-technical progress should be planned so as to take into account the priority lines of development of science and technology, which are oriented above all toward solving regional problems. The priority directions are being chosen on the basis of republic forecasts, including the Comprehensive Long-Range Forecast of the Scientific-Technical Progress of Belorussian SSR Over the Next 20 Years (KP NTP), and also on the results of a systems analysis of development of science and technology in the republic, in the USSR, and in the world as a whole.

Forecasts of the development of scientific-technical progress must be the basis for drafting and implementing comprehensive republic and regional scientific-technical target programs oriented toward the ultimate socioeconomic goals in development of the republic's economic complex and its individual administrative-territorial units in the context of the regulated market.

The procedure for drafting and carrying out the republic and regional scientific-technical programs is defined by the relevant soviets of people's deputies. State orders for performance of scientific research and other projects must be issued on a competitive basis through the head organizations responsible for carrying out the entire programs in question. It is also advisable that the financing of R&D projects go through those same organizations.

Innovation funds are to be set up at the level of the republic, regions, and associations of economic entities from revenues of republic and local budgets, earmarked appropriations from the union budget, and also the resources of enterprises, organizations, institutions, and other sources to finance measures to carry out scientific-technical policy. Encouragement should be given to the spread of the practice of financing scientific-technical measures (especially those of an applied nature) with credits from commercial innovation banks. In order to

guarantee the priority development of basic research, making it possible to achieve a breakthrough along the most important lines of scientific-technical progress and the successful entry of the republic onto the world market, provision must be made to allocate earmarked resources from republic and local budgets.

The target program must become the main method for managing scientific-technical progress; it must envisage a system of economic incentives motivating scientific research and project planning and design institutes on the basis of the end socioeconomic results of their activity and the receptiveness of enterprises to innovation. Tax benefits can, if necessary, be established for scientific and project planning organizations and production enterprises taking part in performance of state scientific-technical programs in order to achieve those goals.

Provision should also be made to allocate earmarked subsidies and preferential credits to enterprises retooling production and to cover part of their risky investments in the scientific-technical sphere. At the same time, effective measures of economic coercion must be taken (progressive taxes, fines, etc.) against enterprises manufacturing outdated or inefficient products.

### 3.4. Policy in the Area of Environmental Protection and Natural Resource Use

Republic and local state administrative agencies bear full responsibility for the preservation, reproduction, and effective use of natural resources on their respective territories, guaranteeing all citizens living in them their legitimate right to a healthy environment. Using the economic and administrative instruments, these agencies are expected on their own:

- to regulate relations in the sphere of natural resource use and environmental protection;
- to exercise state surveillance over observance of all requirements of legislation on these matters by enterprises and associations located in their respective jurisdictions;
- to impose fines for full reimbursement of the damage caused, to prohibit and halt activity of those enterprises which create a hazardous environmental situation;
- to organize independent expert and environmental evaluation of project plans and estimates for construction and reconstruction.

The strategic objective of environmental policy is to avert and correct as much as possible the adverse effect on the environment of production and economic activity. In those cases when for objective reasons it is not possible to completely avert or correct the adverse impact on the environment of new or existing production operations, the population of the area receiving that impact must receive full compensation for the environmental damage caused. That compensation may take the form of both direct participation of enterprises and associations damaging the environment in development



of the material and technical base of the production infrastructure and social infrastructure of the region, in providing material and other assistance to the local population, and also allocation of a part of their own financial and material resources for these purposes to local bodies of government and administrative agencies.

The drafting and implementation of republic and regional programs for optimum natural resource use and environmental protection must be financed out of the respective budgets and also resources envisaged in estimates for construction of new enterprises and reconstruction of existing ones. It is also advisable to apply to those purposes the fines collected for ineffective use of natural resources and above-allowance pollution of the environment and creation of emergency situations. Republic and local bodies of government and administrative agencies must use more widely the right granted them to organize voluntary cooperative use of the resources of ministries and departments, enterprises, and associations toward the goal of efficient and comprehensive use of natural resources and joint performance of natural conservation measures.

The procedure for use of all natural resources of Belorussian SSR and for organizing natural conservation over its entire territory is defined by current laws of the USSR and Belorussian SSR. At the same time, the republic is guided by international agreements and recommendations of environmental organizations.

The point of departure in organizing and managing natural resource use and environmental protection must be the priority of the regional approach, which makes it possible to take into account more fully the peculiarities of each region, the state of its nature and its ability to withstand environmental loads, and also clear delineation of jurisdiction and powers of the bodies of government at various levels. The permissible levels of use of natural resources, standard levels of the environmental load and pollution of the environment, and also payments for use of natural resources and pollution must be established by regions. Extremely strict environmental standards must be established for regions subjected to the effect of the accident at the Chernobyl Nuclear Power Plant. In most of those regions, it should not be permitted to build new enterprises and expand existing ones that add to the pollution of the environment.

Republic bodies of government and administrative agencies determine the general goals and strategy of natural resource use and natural conservation, including the creation and operating mechanism of protected zones and places, organize their performance at the level of management of the republic's economy, and also coordinate the activity of local authorities in natural conservation so as to take into account the interests of the entire republic.

Local administrative agencies, on the basis of the particular features of the natural conditions on their territories, draft and carry out a policy of natural resource use

and environmental protection that defines the need for performance of specific geological and other surveys and inspections and the completeness and comprehensiveness of the utilization of natural resources.

### 3.5. Investment Policy

The main strategic goal of the investment policy of Belorussian SSR is to ensure the optimum structure of the republic's economy, orient it mainly toward its attainment of high final socioeconomic results and extremely rapid correction of the consequences of the accident at the Chernobyl Nuclear Power Plant and the lag that has occurred in the social sphere.

Taking this into account, and also paying attention to the natural and economic peculiarities of Belorussian SSR, capital investments and material resources for production purposes need to be committed first of all to ensuring faster development of science-intensive and environmentally safe production operations. One of the directions of capital investments that has priority and is economically advantageous to the republic must be the faster development and modernization of the material and technical base for processing agricultural materials and for storage and transport of the products of the agroindustrial production sector. The material and technical base of tourism and the sphere of consumer goods production must enjoy priority in obtaining investments. The commitment of capital investments to construction of housing and facilities for social, everyday, cultural, and educational purposes continues to have priority in the future.

One of the most important tasks of the republic's investment policy is a major rise in the socioeconomic effectiveness of the investment process. On the one hand, the monopolism of construction departments has to be overcome by developing multiple forms of ownership and economic activity in the construction complex of the republic's economy, and on the other, production of building materials and fabrications must be developed at a faster pace so that nonconstruction enterprises and organizations have a real opportunity to choose the way in which they will carry out investment programs.

In order to improve the efficiency of the construction process, measures should also be drafted to make it less expensive thanks to broader use of local building materials and lighter structural fabrications (instead of reinforced concrete), above all in erecting structures for agricultural purposes and also through gradual transition from prefabricated large-panel housing construction to cast-in-place construction, etc.

In the context of a regulated market economy, when reproduction of fixed and working capital of enterprises and associations will occur primarily on the basis of self-financing, state investment policy must be implemented above all with the help of indirect economic regulators. This does not preclude direct special-purpose financing from centralized republic and local funds for projects under state and municipal ownership.



The jurisdiction of Belorussian SSR extends over all investment activity on the territory of the republic and compiling the plan of contract work, and it also holds the exclusive right to adopt normative documents and make expert evaluations in the area of capital construction.

The state orders of the republic and of local soviets of people's deputies for construction are financed from the respective budgets. Resources of enterprises exempted from taxation may be attracted to solve the priority problems in socioeconomic development.

Investment policy must envisage development of small enterprises and organizations, construction cooperatives, and leased enterprises, the use of their facilities to create construction firms, construction planning firms, and other firms, along with the transition to competitiveness and tendering in project design and construction, which, combined with adoption of market relations, must result in elimination of the monopoly structures that exist in construction.

### 3.6. Financial, Credit, and Tax Policy

Under the conditions of the new economic system, there must be a radical transformation and improvement of financial, credit, and tax policy. Effective financial and credit structures of a regulated market have to be shaped and priorities guaranteed in the socioeconomic development of Belorussian SSR and its regions: accelerated correction of the consequences of the accident at the Chernobyl Nuclear Power Plant and environmental protection.

Taxes, which so far have for all practical purposes been omitted from economic relations in the production sphere, will become an exceedingly important part of financial policy.

Tax policy toward entities carrying on economic activity must be based on uniform tax rates binding on everyone and orienting them toward higher production efficiency and cessation of redistribution of resources within the branch that is not based on commercial interest. A flexible system of tax benefits is necessary to accomplish structural shifts, to speed up scientific-technical progress, and to reorient social production toward satisfaction of social needs and raising the standard of living of the republic's population. It is advisable that those benefits be applied toward the income of state and other enterprises and organizations committed to application of advances of scientific-technical progress, natural conservation measures, and growth of the production of consumer goods and paid services to the public.

Tax policy must envisage strict measures toward enterprises, associations, organizations, and officials when they incorrectly compute taxes or pay them into the budget late.

In the immediate years to come, the turnover tax must play a more active part in the system of regulating economic processes in the republic. It is proposed that

the sphere of this tax be broadened in the context of cost accounting (*khozraschet*), that it be collected in various stages of the product's progress, that consolidated average group rates be applied, and that the tax be paid directly by enterprises.

A course at transforming the turnover tax into an added value tax in the future must be pursued. This will make it possible to objectively divide the total amount of the tax among all participants in the production and sale of the commodity, to lessen its pressure on the price of the end product, and to make the price level and the level of the tax rate independent of one another.

As market relations develop in Belorussian SSR, personal income will be more differentiated. This makes it necessary to conduct a flexible policy concerning taxation of personal income that would be aimed at increasing the tax burden on high income and reducing it on low-paid strata of the population. At the same time, financial motivation for highly productive work must not be undermined.

In the future, it becomes most likely to make the transition to computation of the income tax on the basis of the total annual income of the individual, to replace the progressive tax by a proportional tax, which does the best job of applying the principle of social justice and at the same time eliminating leveling.

Tax inspectorates will have a special role in the consistent conduct of tax policy. They have to be staffed with qualified and morally strong personnel, who have to be well-paid and their profession must have public prestige.

The foreign exchange financial market will be an increasingly important component and area of activity of financial policy. It is created because of the motivation of enterprises and individuals to obtain income from the money accumulations they have. Uncommitted money resources of enterprises and individuals must be invested in measures that pay a rapid return, above all the production of consumer goods and services. That is why one of the radical changes of direction in financial policy must be creation of conditions for transferring resources to those sectors where investments guarantee rapid high income and also saturation of the market with goods that are in short supply.

Financial policy must be particularly active in the area of the formation and effective use of republic and local budgets. It is called upon to promote democratization of the compilation and execution of the plan of the budget, to increase investments in the social sphere as production efficiency rises and budget deficits are eliminated. An important task is to link very closely the financial resources committed from the budget to the end results of the activity of enterprises and associations in the social sphere. The transition must be made from the principle of "reimbursement of costs" to the principle of "effective activity," i.e., the volume of financial resources allocated from budgets must be determined by

work done, by its effectiveness, by the degree of satisfaction of social and personal needs.

The new financial policy must also promote reliable financial support of local self-government and the intimate dependence of the social and economic development of regions on the effectiveness of their economic activity.

The new credit policy is called upon to reestablish in practice the generally accepted principles of credit financing—that the term be defined, that it be paid for, that it be repaid, and that it be committed to a particular purpose. In view of the particular importance of the principle of repayment in credit policy, reliance should be put on collateral, guarantees, sureties, and other forms well-known in world practice. It is extremely important in granting credits to the branches and spheres of the economy and also to individuals exclusively by the criteria of social and economic effectiveness.

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## **Lithuanian Law on State Enterprises**

### **Text of Law**

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24-25 Oct 90

[Article: "Law of the Lithuanian Republic on State Enterprises"]

[24 Oct 90, pp 3-6]

[Text]

### **Section I. General Section**

#### **Article 1. Purpose of the Law**

1. This law governs the creation, reorganization, liquidation and management of state enterprises (SE's) and state joint-stock enterprises (SJSE's) established (acquired) with state assets (the assets of local self-managing bodies), and the principles of their financial and other economic and commercial activity. The law does not apply to state enterprises of specific purpose, functioning only in accordance with their charter—that is, with the charter of a separate state enterprise. The list of such enterprises and sample charters are approved by the Supreme Soviet of the Lithuanian Republic through government petition.

2. The word "enterprise" is used when this law is applied to both a state enterprise and a state joint-stock enterprise.

#### **Article 2. The State Enterprise (SE) and the State Joint-Stock Enterprise (SJSE)**

1. An SE is an enterprise which is created with state assets (with the assets of a local self-managing body), and

which does not issue shares (does not accept investments), or issues shares (accepts investments) with nominal value not exceeding one-fifth of the enterprise's charter capital. A state enterprise that issues shares with nominal value exceeding one-fifth of the enterprise's charter capital is an SJSE. The shares of an SJSE are distributed by open subscription, or they may have a limited sphere of circulation. The shares of an SE are not purchased or sold at a stock exchange, and they are not registered with the appropriate state bodies.

2. Investments by state enterprises (enterprises of local self-managing bodies) into an SE or an SJSE may not be included in the nominal amount of joint-stock capital on the basis of which enterprises are divided into SE's, SJSE's and joint-stock companies, and on the basis of which stockholders are granted the rights of creating the administrative bodies of an enterprise. An enterprise created through the unification of the capital of several SE's or SJSE's functions as an SJSE.

3. State government and administrative bodies may not possess shares of an SJSE or an SE.

### **Article 3. The Enterprise as a Legal Person**

1. From the day of its registration, an enterprise acquires the rights of a legal person. The economic basis of the activity of an enterprise is capital belonging to the state (a local self-managing body) by right of ownership, which the state (local self-managing body) investing in the enterprise transfers to it as to an agent. The rights of an enterprise to manage, use and dispose of state property (the property of a local self-managing body) entrusted to it are established by this law and the charter of the enterprise. Joint stock and state capital (the capital of a local self-managing body) accumulated at an enterprise belongs by right of common proportionate ownership to the stockholders and the state (the local self-managing body).

2. An enterprise bears limited property liability. It bears liability in relation to its obligations only in relation to property it possesses, which may be recovered in accordance with legislation of the Lithuanian Republic. Neither the state (the local self-managing body) nor the stockholders or workers of the enterprise bear property liability in regard to the enterprise's obligations. The enterprise does not bear liability in regard to obligations of the state (local self-managing body), stockholders or workers of the enterprise.

3. An enterprise possesses its own name (the company name), which must contain the words "state" or "state joint-stock" or an abbreviation of these words. An enterprise is prohibited from having a name (company name) similar or analogous to the company name of another enterprise registered in the Lithuanian Republic with the consequence of hindering the normal economic activities of these enterprises.

4. An enterprise possesses its own seal bearing its name (company name) and the words "Lithuanian Republic."

**Article 4. Composition of Capital Possessed by an Enterprise**

1. Capital possessed by an enterprise includes:

- 1) state capital;
- 2) joint stock;
- 3) loan capital.

2. The charter capital of an enterprise consists of nominal state capital and nominal joint stock.

The amount of the charter capital is set by the charter of the enterprise. The administrative bodies of an enterprise are obligated to ensure that the enterprise's assets (the difference between the value of the enterprise's property shown on the bookkeeping balance and loan capital) is not less than the amount of state capital and nominal joint stock. If assets are less than the amount of state capital and nominal joint stock, payment of bonuses and dividends out of enterprise profits is prohibited. To restore the difference between the amount of state capital and nominal joint stock as well as assets, an SE makes proportionate use of state capital and joint stock, while an SJSE uses joint stock.

3. The loan capital of an SJSE cannot exceed joint stock, not counting investments by other enterprises (SE's and SJSE's).

4. The joint stock of an enterprise may not exceed state capital. An enterprise that has accumulated joint stock exceeding its state capital must be reorganized within six months' time into a joint-stock company, or into a closed joint-stock company, in accordance with the procedure established by law. In the event that the nominal joint stock of an SJSE becomes less than one-fifth of charter capital, the minimum amount of joint stock of the SJSE must be restored in six months' time, or within that same period of time the SJSE must be reorganized into an SE. An SE that has accumulated nominal joint stock exceeding one-fifth of the charter capital of the enterprise must be reorganized within six months' time into an SJSE.

5. An enterprise is prohibited from acquiring the shares of an enterprise, joint-stock company or closed joint-stock company which is a stockholder of it and which possesses shares with nominal value exceeding one-tenth of the charter capital, if the nominal value of the acquired shares exceeds one-tenth of the charter capital of the indicated enterprise.

6. State capital accumulated (held) at a state enterprise is not divided into shares. It is treated separately as an investment by the state (a local self-managing body) to the enterprise, and it is accounted for in a separate state capital account of the enterprise.

**Article 5. The Rights of an Enterprise**

1. In accordance with laws of the Lithuanian Republic and in order to attain the goals formulated in its charter, an enterprise may:

1) open its own accounts in banking institutions registered with the Lithuanian Republic and foreign states, and employ the assets contained therein;

2) determine the directions and means of use of all available state capital and joint stock;

3) sign agreements on floating or obtaining loans and on their interest;

4) issue securities, with the exception of bonds;

5) buy out (return) part or all of the state capital transferred to the enterprise, utilizing residual assets of the workers and stockholders for these purposes, as well as residual assets obtained through economic and commercial activities (following fulfillment of obligations);

6) purchase or acquire by other means, possess by right of ownership, sell and exchange securities, or dispose of them by other means;

7) pay out stock dividends or pay out bonuses in the form of shares;

8) establish classes and forms of shares, including those belonging to workers, and the procedures of their sale and distribution;

9) establish economic and trading ties with domestic and foreign partners, and expand commercial activities;

10) pay for supplied goods and completed jobs and services in any agreed-upon form;

11) establish the internal organizational and production structure of the enterprise, create affiliates, and determine the legal status of subdivisions;

12) create SJSE's, exist as a stockholder of such an enterprise, create associations jointly with enterprises of other forms, and in accordance with agreements signed with other SE's and SJSE's, establish nonproductive associations, and withdraw from them;

13) improve the working, personal and leisure time conditions of the enterprise's workers, provide assistance to their families, take part in philanthropic activities, allocate assets for the protection of the health of the Lithuanian Republic and for culture, education, science, physical culture and sports;

14) sign agreements in matters concerning production, scientific research and experimental and design work, and other business agreements;

15) set prices and rates on its products, rendered services and other resources, and establish the pay system, except in cases where prices and other standards

are regulated by the state (by the local self-managing body) in accordance with laws of the Lithuanian Republic.

An enterprise may also possess other civil rights and responsibilities not foreseen by this law, insofar as they do not conflict with laws of the Lithuanian Republic and the enterprise's charter.

2. The state may regulate an enterprise's economic and commercial activities only through economic measures—subsidies, standard rates for use of state capital possessed by the enterprise, orders (contracts) financed by the state, and other economic measures. The founder of state enterprises operating in transportation and communication sectors, in the fuel and power system and in municipal services is entitled to establish obligatory jobs for them, and requirements on their quality. This may also apply to an SJSE when a contract is signed with it and the corresponding certificate allowing it to engage in economic activity is issued to it.

3. An enterprise is entitled to obtain financial, material and other valuables allocated (sold) by the state in centralized fashion at a state-approved price or a contracted price, and as compensation for the corresponding contract obligations to a state body (a local self-managing body) accepted by the enterprise.

4. An enterprise has the right to demand, through civil court action, compensation for damages inflicted by the unlawful actions of state bodies and organizations, as well as by officials during their performance of official managerial duties.

## **Section II. Creation, Reorganization and Liquidation of an Enterprise**

### **Article 6. Creation of an Enterprise**

1. A statement creating an enterprise, acceptable to the government of the Lithuanian Republic (the local self-managing soviet), or at the government's instructions, to an authorized ministry, is the legal basis of creating an enterprise. The body which makes the decision to create the enterprise is the founder of the enterprise.

2. Creation of enterprises is regulated by the Lithuanian Republic's Law on Enterprises, by this law or by other normative acts.

### **Article 7. The Charter of an Enterprise**

1. The charter of an enterprise is a legal document regulating its activities.

2. The draft of the charter of a future SE is drawn up by the enterprise's interim administration, formed by the founder, and it is approved by the founder. In the event of reorganization of an existing enterprise, the charter of an SE is drawn up by its administrative bodies. When an SJSE is created (reorganized), the charter is drawn up by stockholder-founders.

3. The charter is signed by members of the board of the enterprise—by its directors (by the enterprise's administrative executive if a board is absent), or by stockholder-founders. If an oversight council is formed at the enterprise, the charter is also signed by its chairman. The charter is certified with the seal of the enterprise, and if the enterprise does not possess a seal, by the seal of the founder.

4. The following must be indicated in the enterprise charter:

1) the name of the enterprise (company name) and the particulars concerning its seal;

2) its street address;

3) the nature of its economic and commercial activities;

4) the foreseen time of operation, if the enterprise is created for a predetermined period of time or in order to carry out a particular job;

5) the amount and composition of charter capital;

6) the composition of nominal joint stock, with respect to classes of shares;

7) the nominal value of shares and the rights to which they entitle the bearer;

8) the administrative bodies, their competency, composition and formation;

9) the procedure for convening meetings of workers and stockholders;

10) the forms in which communications of the enterprise are conveyed (to stockholders and workers);

11) the procedures for buying out state capital and joint stock, and the methods and terms of redemption of shares;

12) restrictions established by a local self-managing body in regard to the amount of capital and the production volume of the enterprise.

5. The enterprise charter may also contain other rules that do not conflict with laws of the Lithuanian Republic and international agreements.

6. Amendments and supplements are made in the enterprise charter by the oversight council. A meeting of stockholders may decide that amendments and supplements to the charter of an SJSE may be made only by a meeting of stockholders. In the event that an oversight council is not formed, amendments and supplements to the charter of an SE are made by the board of directors, while amendments and supplements to the charter of an SJSE are made by a meeting of stockholders. Amendments and supplements made in a charter are effective from the moment of their reregistration.



#### Article 8. Registration of an Enterprise

1. The procedures and conditions of registering an enterprise are established by the Lithuanian Republic's Law on Enterprises, by the Law on the Enterprise Register and by this law.

2. The founder of a new enterprise wishing to register that enterprise is obligated to submit, to the body registering the enterprise, the statement on creation of the enterprise, the charter and other documents foreseen by law. In other cases the registration documents are submitted by the drafters of the charter.

3. An SJSE is registered after all shares are subscribed to (distributed) and the initial investments are collected.

4. From the day of registration of an enterprise, its administrative bodies acquire the right to carry out their functions, as established by law and the enterprise charter.

#### Article 9. Liquidation and Reorganization of an Enterprise

1. The following may be grounds for an enterprise's liquidation:

1) a statement of the enterprise (the local self-managing soviet) of the Lithuanian Republic concerning termination of the activities of an SE or a demand to buy out (return) the SJSE's state capital (the capital of the local self-managing body);

2) a decision of the court recognizing the enterprise to be incapable of paying its debts;

3) a decision by state bodies monitoring the activities of enterprises to rescind the enterprise's registration in connection with violation of rights foreseen by laws of the Lithuanian Republic. The decision of these bodies may be appealed in court;

4) a decision of a meeting of stockholders of an SJSE to terminate the activities of the enterprise;

5) a decision of the founder to liquidate an insolvent SJSE possessing nominal joint stock composing less than one-tenth of the charter capital of the SJSE and accumulated from investments by physical persons, business associations and joint-stock and closed joint-stock companies.

2. The body that makes the decision to terminate the activities of an SJSE appoints its liquidator. The liquidator of an SE is appointed by the founder. From the day that a liquidator is appointed, the enterprise's bodies lose their power to manage the enterprise, and their functions are carried out by the liquidator. The enterprise liquidator organizes liquidation of the enterprise: He reregisters the enterprise as one undergoing liquidation, sets and publishes the date until which the enterprise subject to liquidation is to operate, determines who the enterprise's creditors and debtors are, draws up a

liquidation balance, renders an accounting of the enterprise's obligations, and transfers property remaining after liquidation to the founder of the enterprise or its stockholders.

3. When an enterprise acquires the status of an enterprise undergoing liquidation, it may engage only in those business deals which are associated with the enterprise's liquidation.

4. Workers of an SE and its stockholders possess the option to acquire the state capital of an enterprise subject to liquidation within a period of 6 months from the day of appointment of the liquidator, except in cases of an enterprise's bankruptcy. When more than half of the state capital of an enterprise undergoing liquidation is bought out by the stockholders and workers of the enterprise, the latter is reorganized into a joint-stock company, a closed joint-stock company or a business association.

5. When an SJSE is reorganized in the cases established by this law into a joint-stock company or a closed joint-stock company, state government and administrative bodies possessing shares in the company may not possess more than one-third of the votes for five years from the moment of reorganization.

6. The founder has the right to reorganize an SE into an SJSE. The stockholder-founder of an SJSE is a physical or legal person who has signed a notarized agreement to create the SJSE establishing their rights and responsibilities associated with drafting the charter of the SJSE and indicating the obligation of each of them to acquire the corresponding number of shares of the SJSE. When such an agreement is not signed, the rights and responsibilities of stockholder-founders are established by the SJSE charter they draft.

7. If an enterprise is liquidated or reorganized at the demand of stockholders in connection with the purchase (return) of the joint stock of an SE or SJSE, rules established by this law regulating reduction of joint stock are applied.

8. If an SE is liquidated or reorganized by decision of the government (a local self-managing soviet) of the Lithuanian Republic, the state (local self-managing body) is obligated to compensate stockholders, workers and other physical or legal persons for their property invested by them into the enterprise within 6 months of the day of the enterprise's liquidation.

#### Section III. Management of an Enterprise

##### Article 10. The System of Enterprise Administrative Bodies

1. Enterprise administrative bodies include the board of directors, an oversight council and workers' and stockholders' meetings.

2. An interim administration is appointed by the founder for the period of construction of the enterprise,

installation of equipment and preparation of the enterprise for operation, and in the first years of its operation. When an SE or SJSE is created as a result of reorganization of a solvent state enterprise of different status, permanent administrative bodies are created at the founded enterprise without delay.

3. An oversight council is not formed for the period of management of the enterprise by the interim administration.

4. An oversight council may also not be formed:

1) in accordance with a decision of the founder of an SE, adopted with regard for proposals of the labor collective of this enterprise;

2) in accordance with a decision of a meeting of stockholders of an SJSE.

In both of the indicated cases a meeting of workers of an SE or a meeting of stockholders of an SJSE forms an inspection committee of three persons for a term of five years. Dismissal of a member of the inspection committee or imposition of disciplinary punishment on him is prohibited without the consent of a meeting of stockholders of an SJSE and, at an SE, without the consent of a workers' meeting.

#### Article 11. The Board of Directors

1. The commercial activities of an enterprise are directed by a board of directors (referred to subsequently as the "board"). It consists of members—directors—numbering not less than three and not more than nine persons. The board's activities are directed by a chairman.

2. Members of the board are appointed for a term of not more than five years, and their salaries are set by the oversight council, except in cases indicated in Part 2, Article 34, as well as upon expiration of the term of the enterprise's interim administration, when one-third of the members of the board are appointed for a term of one year by the founder of the enterprise. If an oversight council is not formed, the board is formed by meetings of stockholders and workers in accordance with the rules of forming an oversight council. In this case the board must be staffed by not less than six members. Salaries and the part of the profit reserved for them are set by the founder at an SE and by a stockholders' meeting at an SJSE. A member of the board as well as its chairman may be recalled by the appointing body.

3. An adult enterprise worker appointed by the enterprise founder or oversight council who is not prohibited from fulfilling the associated obligations, as well as a person appointed by the oversight council who does not work at the enterprise, may be a member of the board. A member of the oversight council may not be appointed a member of the board. The oversight council may appoint its own member to the board temporarily, for a term of not more than six months. In the event that the same member of the oversight committee is reappointed for

temporary work on the board, the entire term of his work may not exceed 12 months in five successive years. The oversight council may recall a member of the board by a two-thirds vote for failure to fulfill obligations, for unconscientious work or for being unable to carry it out competently. The decision to recall a member of the board of an SJSE may also be adopted by a two-thirds majority vote of a stockholders' meeting.

4. If the rules of Part 2, Article 34 are not applied in relation to an enterprise, and an interim administration is not created at it, the chairman of the board of an SJSE is appointed by the oversight council (by a stockholders' meeting if one is not formed), while the chairman of the board of an SE is appointed by the founder at the request of the oversight council (the board, if one is not formed). Disputes between the oversight council and founder concerning appointment of the chairman of the board of an SE are resolved by the government of the Lithuanian Republic (the local self-managing soviet).

5. The chairman of the board of an SE may be recalled by a two-thirds vote of the oversight council or by the government of the Lithuanian Republic, if it is established that the SE faces a real threat of insolvency or if the board chairman is clearly not fulfilling his obligations. The chairman of the board of an SJSE may be recalled by a two-thirds vote of the oversight council or a stockholders' meeting of an SJSE, as well as by the government of the Lithuanian Republic, if it is established that the SJSE faces a real threat of loss of state capital. Following recall of the chairman of the board, the board is dissolved as well.

#### Article 12. The Powers of the Board and Its Members

1. The board is a collective body of the enterprise's management. It adopts board operating rules and resolves economic, commercial, organizational and other matters within the limits of its powers. Following expiration of the term of its power, the board exercises its powers until a new board is formed.

2. The board makes its decisions at meetings. Its members possess equal rights to a deciding vote. The board operating rules are adopted by a two-thirds majority of votes, calculated in relation to the number of board members determined by the charter. Other board decisions are adopted at meetings (votes) by a majority of the board members present. A meeting (vote) is said to be valid if not less than two-thirds of the board members are present. If a draft decision on a matter under discussion is published ahead of time, a board member unable to attend a meeting is entitled to vote prior to the meeting by expressing his will in written form—"for" or "against" the decision. Board meetings are convened and organized in accordance with the board operating rules.

3. The board chairman has the right to conclude all of the enterprise's business deals in accordance with the charter of the enterprise, the operating rules of the board and its decisions. Spheres of activity in which other

board members also have the right to independently act and to conclude business deals for the enterprise may be established in the enterprise charter or board operating rules. Part of the functions of the board may be transferred to the enterprise's administrative executive by decision of the board of the SJSE. Other persons may act and conclude business deals only when authorized to do so by the enterprise.

4. Business deals concluded by the chairman of the board or other members may not be deemed invalid solely for the reason that in accordance with the enterprise charter or board operating rules, they themselves, at their own discretion, did not have the right to conclude these business deals, except in cases when the party to a contract knew or should have known that such a business deal was unlawful.

5. The board is prohibited:

1) from limiting the powers of the oversight council (inspection committee) or from preventing by other means its observation of the economic and commercial activities of the enterprise and inspecting its financial operations;

2) from firing a worker who is a member of the oversight council, or dismissing him from the position he occupies, or imposing disciplinary punishment without the consent of the oversight council;

3) from making decisions involving the rights and interests of stockholders without the consent of a stockholders' meeting, if such cases are foreseen by this law.

6. Upon conclusion of the fiscal year and prior to approval of the enterprise's annual balance by the oversight council or a stockholders' meeting, the board is obligated to submit, to the oversight council (and at an SJSE, to a stockholders' meeting as well), a report containing answers to questions submitted by the oversight council (meeting of stockholders of an SJSE) regarding:

1) the results of the economic, commercial and financial activities of the past year, the draft book-keeping balance of the enterprise and its income and expenditure accounts, the profit distribution plan, stock-taking data and other valuable-accounting data;

2) the policy and prospects of production and technical activity, of scientific research and of design and experimental work, as well as other economic and commercial activities;

3) organization of the enterprise's production operations, its subdivisions and affiliates, and their management;

4) the planned sources of accumulation of financial resources, and the means of their utilization;

5) new business agreements.

7. Following approval of the annual balance by the oversight council (inspection committee) of the SE, the board approves the profit distribution.

8. Members of the board are obligated to fully compensate for losses suffered by the enterprise as a result of decisions made by the board in violation of the enterprise charter or this law. A board member who voted against such a decision is released from the responsibility of compensating for the loss, if his protest is documented in the minutes of the meeting. A board member who had not attended the meeting is also released from responsibility if he had submitted a written protest to the chairman of the board within 7 days after he learned or should have learned of such a decision. Retirement of a board member or his dismissal from his position does not release him from the responsibility of compensating for losses for which he is to blame. A board member may be released from the responsibility of compensating for losses inflicted by him in the performance of his obligations if he had acted on the basis of enterprise documents or other information that could not be doubted as to its authenticity, or if he acted within the limits of normal production or business risk.

#### Article 13. Administrative Workers

1. The enterprise administration directs and carries out the operational economic and commercial activities of the enterprise. The board determines the services of the administration and the positions of its workers, and it hires workers for the administration and sets their wages (except in relation to board members) in correspondence with an employment agreement.

2. There must be an administrative executive (president, general director, director) and chief financial officer (bookkeeper) in each enterprise.

3. Only the chairman of the board may occupy the position of administrative executive of an SE. The employment agreement of the administrative executive is signed in behalf of the enterprise by the chairman of the oversight council, and if an oversight council has not been formed at an SE, by the founder of the SE, and at an SJSE, by its board.

4. Combining the position of enterprise director with the position of chief enterprise financial officer (bookkeeper) is prohibited. The administrative executive is also prohibited from becoming a board chairman, or the director or administrative executive of another enterprise (business association, joint-stock company or closed joint-stock company).

5. The board chairman (administrative executive) of an SE is obligated to maintain permanent working relations with the enterprise as established by the employment agreement.

#### Article 14. Formation of the Oversight Council

1. In the cases indicated by this law, an oversight council is formed out of persons elected at meetings of



enterprise workers and stockholders for a term of five years for the purposes of overseeing the activities of the board and administration. The number of members on the oversight council is established by the enterprise charter: There must be not less than six and not more than 15 of them. A new oversight council must be formed prior to the day of expiration of the powers of the currently operating oversight council. If a state enterprise of another status becomes an SE or an SJSE, the oversight council must be elected not later than within a month after change of the enterprise's status.

2. Members of the oversight council are elected by secret ballot, separately by stockholders, by administrative workers, and by laborers and other workers not belonging to the enterprise administration.

3. The right to elect representatives to the oversight council is possessed by administrative workers employed in the central administrative apparatus and in the central administrative services, as well as by the directors of structural subdivisions and their deputies. The final decision in disputes concerning which group to place workers into is made by the founder of the enterprise.

4. One-third of the seats on the oversight council of an SE possessing nominal joint stock composing not less than one-twentieth of charter capital are reserved for stockholders. One seat on the oversight council of an SE possessing nominal joint stock composing less than one-twentieth of joint stock is reserved for stockholders.

5. Two-thirds of the seats of the oversight council of an SJSE are reserved for stockholders irrespective of the amount of joint stock.

6. The number of seats reserved for stockholders in the oversight councils of SE's or SJSE's cannot be more than the number of stockholders of the enterprise.

7. The number of seats on the oversight council allocated to workers is divided into two equal parts—for representatives of the administration and for representatives of other workers. The enterprise founder possesses the right to appoint his own representative to the oversight council. In such a case one seat less is allocated to representatives of administrative workers.

8. The charter may establish requirements on a member of the oversight council. Stockholders may also elect persons not working at the enterprise to its oversight council. Workers of one group may elect their own representative to the oversight council from among workers placed in another group of workers in accordance with this law.

#### **Article 15. Retirement and Recall of Members of the Oversight Council**

1. A member of the oversight council elected by workers may be recalled by a workers' election meeting (a vote) by two-thirds of its participants.

2. A member of the oversight council elected by stockholders may be recalled by a stockholders' meeting.

3. A member of the oversight council may retire at any time upon submitting a written statement to the chairman of the oversight council. A member of the oversight council forfeits his right to be a member of the oversight council and is obligated to retire at the time of retirement of the oversight council in accordance with a decision of the majority of its members. A member of the oversight council elected by workers is obligated to retire if he has broken work relations with the enterprise or forfeited his right to be elected to the oversight council.

4. If the oversight council or one of its members grossly violated their powers and obligations, a court may dissolve the council or remove the member from the oversight council in response to a petition of not more than three workers having the right to elect members to the oversight council, as well as of a trade union operating at the enterprise or the enterprise's board (administration).

#### **Article 16. Powers of the Oversight Council**

1. The oversight council elects a chairman and his deputy from among its members. Wages are not paid for work in the oversight council. The charter of the enterprise may foresee additional pay for the chairman and his deputy for work on the oversight council, to be covered by net profit. The amount of their pay is correspondingly 60 and 50 percent of the average wages of enterprise workers in the preceding fiscal year (with regard for bonuses as well).

2. The oversight council:

1) submits proposals and appoints and dismisses (if this right is not given to the founder by this law) the chairman of the board and its other members;

2) sets the salaries of members of the board working at the enterprise on the basis of an employment agreement, with regard for proposals of the chairman of the board, for a period of not less than 2 years but not more than the term of the board, and approves the share (standard) of net profit to be paid as bonuses to members of the board;

3) resolves the issue of firing (dismissing) workers elected to the oversight council or ordering their disciplinary punishment in accordance with a request of the board;

4) studies and analyzes the activities of the board, use of financial resources and distribution of profit, organization of production and management, the profitability of capital, wages, depreciation and interest deductions for use of state capital, the competitiveness of products (rendered services), and financial prospects;

5) inspects the correctness of the management of financial accounts and bookkeeping, and of stock-taking data;

6) approves appraisals of nonmonetary (property) investments;

7) discusses the board's report on the work results of the enterprise for the fiscal year, and approves its annual balance. The charter of an SJSE may foresee that the annual balance is approved by a stockholders' meeting;

8) recovers from board members any losses inflicted upon their enterprise for which they are to blame, in behalf of the enterprise and through court proceedings;

9) makes amendments and supplements to the charter of the enterprise, except in the cases indicated in Part 6, Article 7.

3. The oversight council does not have the right: to manage the affairs of the enterprise within the competency of other bodies of the enterprise; to rescind decisions of the board or decisions of persons authorized by it; to change the wages of members of the board more than once every two years; to make decisions involving the rights and interests of stockholders without the consent of a stockholders' meeting.

4. If an oversight council is not formed, then:

1) the board of an SE carries out the functions foreseen by paragraphs 1 and 9 in Part 2 of this article;

2) the inspection committee of an SE carries out the functions foreseen by paragraphs 5, 6, 7 and 8 of Part 2 of this article;

3) the inspection committee of an SJSE carries out the functions foreseen by paragraphs 5 and 8 of Part 2 of this article;

4) a stockholders' meeting of an SJSE carries out the functions foreseen by paragraphs 1, 2, 4, 6, 7 and 9 of Part 2 of this article.

5. At the request of the oversight council (inspection committee) the enterprise administration is obligated to submit documents associated with the activities of the enterprise, and to create conditions allowing for inspection of securities, goods, material resources and other valuables present at the enterprise. Members of the oversight council (inspection committee) are obligated to keep the enterprise's commercial secrets they become privy to while monitoring the activities of the enterprise.

#### Article 17. Meetings of the Oversight Council

1. When it is impossible for a member of an oversight council to attend a meeting, he may communicate in writing his opinion on a matter under discussion that had been announced previously, or his decision concerning a vote. Such a case is treated as if the member of the oversight council had attended the meeting and voted during it.

2. Members of the oversight council possess equal rights. Each member of the council possesses one vote. In a tie vote, the deciding vote remains with the chairman of the oversight council.

3. The oversight council adopts its decisions by a simple majority of votes, reckoned on the basis of the number of members on the oversight council established by the enterprise charter, except in the case of decisions concerning amendments and supplements to the charter of the enterprise or recall of a member of the board. Such decisions are adopted by a two-thirds majority of votes reckoned on the basis of the number of members of the oversight council established by the enterprise charter. The first oversight council of an SE makes decisions concerning amendments or supplements to the charter of the enterprise by a simple majority.

4. Meetings of the oversight council are conducted on the basis of a written schedule, but not less than once every quarter. In the event that unforeseen issues arise, extraordinary meetings may be convened. The date of such a meeting and its agenda must be brought to the awareness of each member of the council in writing five days prior to the meeting. Meetings are convened by the chairman of the oversight council, and in his absence, by the deputy chairman. The right to demand a meeting is also possessed by one-third of the members of the oversight council, reckoned on the basis of the number of members established by the enterprise charter, but by not less than three persons. A meeting agenda published previously may be amended or supplemented if such a proposal is approved by all members of the oversight council attending the meeting.

#### Article 18. The Electoral Commission

1. An electoral commission is formed for the purposes of organizing elections of members of the oversight council (the inspection committee of an SE) or board members that are elected by workers. Members of the electoral commission and its chairman are appointed by the oversight council. If the latter does not exist, then members of the electoral commission are appointed by the board or by the administration of the enterprise, with regard for proposals of the workers.

2. There must be not less than three enterprise workers in the electoral commission. It must contain at least one representative of administrative workers and of other workers not working for the administration. A representative of a public organization may also be a member of the electoral commission.

3. Immediately after the electoral commission is formed, it must set the time and place of election meetings (individual votes), organize the elections, count the ballots, and approve and announce the election results.

4. The oversight council, and in its absence the board or administration of the enterprise, bears responsibility for timely formation of the electoral commission and for

its competency. If an enterprise's administrative bodies fail to promptly appoint an electoral commission, it may be appointed by the enterprise founder when demanded to do so by not less than three of the enterprise's workers having the right to elect members to the oversight council.

#### **Article 19. Election of Workers to the Oversight Council**

1. Members of the oversight council are elected (recalled) by secret ballot at election meetings of workers or a separate election organized not less than one month prior to expiration of the powers of the oversight council.

2. The right to elect (recall) members of the oversight council is possessed by all adult workers of an enterprise who had worked there for not less than the last six months. The requirement of continuous work at the given enterprise is not applied in the case when the enterprise has existed for less than one year.

3. Enterprise workers who are not listed as administrative workers in accordance with Part 3, Article 14 of this law are elected to (recalled from) the oversight council by other than a meeting of administrative workers. If in connection with the nature of production all of the workers cannot meet simultaneously, separate votes are taken.

4. Oversight council candidates who are not administrative workers are nominated at a meeting (at a conference of representatives) of workers of the given group. Delegates from enterprise subdivisions, divided organizationally and territorially, are elected to a conference in proportion to the number of workers employed in this group. The norm of representation at an enterprise conference is established by the electoral commission; however, it must guarantee not less than one-tenth of the delegated seats at the conference to workers. The number of oversight council candidates that are nominated must be more than the number of seats established by the electoral commission for the given group of workers. The maximum number of candidates is not limited. A candidate is nominated by open ballot if his candidacy is supported by not less than one-fifth of the meeting (conference) participants. Workers possessing the right to vote may submit a list of candidates to the electoral commission signed by not less than one-tenth of the members of the corresponding group of workers, totaling not less than 10 persons. In any case it is sufficient for the list of candidates to be signed by 100 workers of this group possessing the right to vote.

5. Nomination of candidates for membership to the oversight council from among administrative workers and election of members at a general meeting of these workers are in accordance with the rules of this article.

6. The time of an election meeting (vote) must be announced in each subdivision of the enterprise 10 days in advance, and in the case of repeat elections, 5 days in advance.

7. At the beginning of a meeting, a list of workers attending the meeting (conference) with the right to vote must be drawn up, with the last and first name of the participant indicated. If members of the oversight council are elected not at a meeting (conference) but by a separate vote, a list of workers having the right to vote is drawn up. The list is signed by all members of the electoral commission. An election meeting (conference) of workers has the right to make a decision (a vote is said to have been taken) if not less than half the workers (representatives) of the corresponding group (administrative or nonadministrative) take part in it. If an insufficient number of workers (representatives) attend a meeting (conference) or take part in a separate vote, a repeat meeting (separate vote) is called within 15 days. Such a meeting (separate vote) is said to be valid irrespective of the number of workers (representatives) participating in it.

8. A meeting (separate vote) must be documented.

9. The number of votes possessed by a participant of a meeting (separate vote) is equal to the number of members to be elected to the oversight council. The election results are determined depending on the number of votes a candidate receives.

10. An election meeting (separate vote) involving the recall or reelection of members of an oversight council must be conducted not later than 2 months after the need for electing or reelecting members to the oversight council arose. Election of a member to the oversight council to replace a member who has terminated his activity (retired) may not be conducted if less than a year remains prior to expiration of the council's power.

11. Disputes related to elections are resolved by the founder of the enterprise, whose decision may be appealed in court. Not less than three workers having the right to elect members to the oversight council, and any trade union active at the enterprise or the board (administration) of the enterprise possess the right to submit a petition to the court appealing an election.

#### **Article 20. General Meetings of Workers**

1. General meetings (conferences) of workers are convened not less than once a year; they are attended by members of the oversight council, the inspection commission and the board. At the meetings, workers are provided information on economic policy, and on the business and financial status and the social problems of the enterprise, and the proposals and wishes of the workers are examined.

2. General meetings of workers are organized by the oversight council or the board of the enterprise in accordance with the procedure for organizing meetings (conferences) established by Article 19 of this law.

#### **Article 21. Meetings of Stockholders**

1. Meetings of stockholders are convened not less than once a year. The first stockholders' meeting of a newly



established SJSE is also simultaneously the constituent meeting, which must be convened by stockholder-founders not later than three months from the day the last share is subscribed to. The following are entitled to participate in stockholders' meetings:

- 1) stockholders;
- 2) members of the oversight council and the board, and representatives of the administration.

A stockholder may authorize another person to represent his interests at a meeting, with the right to vote in accordance with a proxy approved in the established manner.

2. A stockholders' meeting is entitled:

- 1) to elect members to the oversight council, and if one is not formed, members of the board, and recall them, with the exception of members elected by workers;
- 2) to grant the board, at its request, the right to issue preferred stock;
- 3) to resolve, in cases established by this law, problems concerning liquidation (reduction) of joint stock or purchase (return) of a part of capital belonging to the state (local self-managing body).

3. A stockholders' meeting of an SJSE is also entitled:

- 1) to amend and supplement the charter of the enterprise, if such action is not delegated by the meeting to the oversight council;
- 2) to recall members of the board;
- 3) to make decisions concerning profit distribution, and if so foreseen by the charter, to approve the annual balance;
- 4) to liquidate or reorganize the enterprise;
- 5) to rescind a decision of the oversight council.

4. At meetings, members of the oversight council are obligated to provide information to stockholders on the business, commercial and financial activities of the enterprise, and its status and prospects, and to present a report on its activities and on fulfillment of instructions given in prior meetings.

5. A stockholders' meeting is convened by the board. The right of initiative in convening a meeting is possessed by the oversight council or a group of stockholders possessing shares with nominal value that is not less than one-twentieth of the nominal joint stock.

6. An announcement of a meeting must be brought to the awareness of all in accordance with the procedure foreseen by the charter, not later than 15 days prior to a meeting and not later than seven days prior to a repeat meeting. The announcement indicates: the name of the

enterprise (company name) and its location, the date and place of the meeting, the agenda, and the meeting's organizers.

7. Prior to the start of the meeting a list of stockholders (persons authorized by them) appearing for the meeting must be drawn up, with the number of votes possessed by each participant indicated. This list is signed by the meeting chairman and secretary.

8. A meeting chairman and secretary are elected from among the stockholders at the meeting. Issues not on the agenda may be discussed and decisions may be made at the meeting if its participants represent stockholders possessing not less than three-fourths of the total votes.

9. A stockholders' meeting may make decisions if stockholders (proxies) participating in it possess over half the total votes. If the necessary number of stockholders (proxies) are not in attendance, then a repeat meeting is convened 15 days later. This meeting has the right to make decisions irrespective of the number of stockholders participating in it.

10. A stockholders' meeting adopts decisions by a simple majority vote of the meeting's participants, except in the case of decisions involving the recall of members of the oversight council or board elected by stockholders, and in regard to matters foreseen in paragraphs 1, 2, 4 and 5 of Part 3 of this article and in Paragraph 2, Part 4, Article 10 of this law. In these cases decisions are adopted by a two-thirds majority vote.

11. A stockholders' meeting must be documented by minutes. A list of the meeting's participants is appended to the minutes.

#### Section IV. State Capital

##### Article 22. Ownership of State Capital Entrusted to an Enterprise

1. Capital of the Lithuanian state entrusted to an enterprise consisting of financial (monetary) investments of the state and of interest received from using state capital belongs by right of ownership to the Lithuanian Republic. If state capital used by an enterprise is created out of the assets of a local self-managing body or some other of its property, then the right of ownership of this capital belongs to the local self-managing body. The part of depreciation deductions that is proportional to the part of state capital making up the capital of an enterprise, less loan capital, also belongs to the state (local self-managing body) by right of ownership.

2. An enterprise does not have the right to use state capital for wages, bonuses, dividends and other payments, or to finance noncommercial activities.

3. An enterprise is obligated to safeguard state capital (the capital of a local self-managing body) entrusted to it, and to ensure its profitable use. State capital may be decreased only in cases foreseen by law.

**Article 23. Interest for the Use of State Capital**

1. An enterprise uses state capital for interest deducted from the enterprise's profits remaining after payment (deduction) of taxes into the budget.

2. Standard interest rates for the use of state capital common to all enterprises are approved:

1) by the government of the Lithuanian Republic, or on its instructions by the Ministry of Finances if the capital belongs to the Lithuanian Republic by right of ownership;

2) by a local self-managing soviet, or on its instructions by the board, if the capital belongs to the local self-managing body by right of ownership.

3. An enterprise which does not pay interest out of its profit for use of state capital is said to have violated its monetary obligations, and sanctions foreseen by this law are applied to it. Investment of state financial resources of an enterprise into social and cultural facilities does not release the latter from payment of interest for using state capital for these purposes.

4. The board of an SE has the right to retain with the enterprise not less than two-thirds of interest deducted for the use of state capital (the capital of a local self-managing body), and thus increase the state capital it uses. The government of the Lithuanian Republic (a local self-managing soviet) has the right to establish certain (specific-purpose) enterprises financed by depreciation deductions that are obligated to transfer interest deducted for use of state capital into the budget.

5. Interest paid by an SJSE for use of state capital (the capital of a local self-managing body) is transferred to the budget of the Lithuanian state (local self-managing body). The government of the Lithuanian Republic (a local self-managing soviet) may leave (invest) part of the interest with the enterprise at its request, and thus increase the state capital at the enterprise.

6. Interest for the use of state capital is deducted (paid) monthly in accordance with the procedure established by the Lithuanian Republic's Ministry of Finances.

**Article 24. Insurance of State Capital**

1. An enterprise is obligated to insure state capital it possesses with an insurance organization registered in the Lithuanian Republic and deemed reliable by the Bank of Lithuania, or to pay an equivalent insurance premium to the state (the local self-managing body).

2. The amount of premiums paid to an insurance organization is established in accordance with an insurance agreement. If state capital insurance premiums are paid to the state (a local self-managing body), then standard premiums are set for each area of business activity by the Lithuanian Republic's Ministry of Finances (by the local self-managing soviet, or on its instructions by the administration).

**Article 25. Increasing State Capital**

1. The state capital of an enterprise may be increased by:

1) interest for using state capital left with the enterprise;

2) investments out of the budget;

3) annexation of the state capital of another enterprise;

4) other adopted or received monetary and non-monetary (property) investments of the state (local self-managing body).

2. When increasing state capital, the enterprise is obligated to increase nominal state capital and register all utilized state capital as nominal state capital only in the event that the enterprise increases or decreases nominal joint stock. An increase in nominal state capital becomes effective at the moment of its registration.

**Article 26. The Right of an Enterprise to Invest State Financial Resources**

1. If an enterprise intends to invest state capital (the capital of a local self-managing body) in another state (on the territory of another self-managing body), it is obligated to receive permission from the Lithuanian Republic's Ministry of Finances (the local self-managing body). State capital invested in other states must be insured by a banking institution or an insurance organization deemed to be reliable by the Bank of Lithuania.

A report of the economic and financial position of the object of investment and of the enterprise, and a certificate of insurance of state property (of the property of a local self-managing body), of format established by the Lithuanian Republic's Ministry of Finances, are attached to the request for permission. Such permission must be granted within 30 days of the date of submission of the request, or a state body may hand down an appropriately explained rejection of such permission within the same time period. Permission may be rejected in the event that the procedure for submitting the documents established by this law is violated, or if the enterprise or some other object of investment is unprofitable and cannot guarantee a predetermined interest rate for the use of state capital, if this contradicts the interests of the state (local self-managing body).

2. In the event that state capital (the capital of a local self-managing body) is invested in another state (in the territory of another local self-managing body), standard interest for use of this capital is transferred to the budget of the Lithuanian state (the local self-managing body).

3. State capital invested in other enterprises (business associations, joint-stock companies and closed joint-stock companies) and held in banking institutions, or offered as a loan by some other means, cannot exceed half of the state resources possessed by the enterprise or

its affiliates. If the enterprise violates this rule, the founder must demand that it return the corresponding share of state capital invested into the other enterprise to the state (local self-managing body).

4. Yearly investments into long-term (more than 12 months) construction of facilities and equipment installation are discounted by reappraising the value of these investments upon their realization in accordance with standard interest rates for the use of state capital. During construction of facilities (installation of equipment) lasting not more than three years, an enterprise is entitled not to deduct interest from profit for invested state capital; however, this interest must be transferred to the enterprise's state capital account.

#### Article 27. Reducing State Capital

1. State capital possessed by an enterprise is not returned to the state budget (the budget of the local self-managing body) except in the following cases:

1) termination of the activities of the enterprise in cases established by law, or reduction (liquidation) of state capital;

2) the enterprise's reduction of the amount of state capital it possesses.

2. In the case where an SE is unable to effectively use the state monetary resources it possesses, it may transfer part of the interest from state capital or depreciation deductions to the state budget (the budget of the local self-managing body), or with the consent of the Lithuanian Republic Ministry of Finances (the local self-managing soviet, or on its instructions the board), transfer it without compensation to other state enterprises (enterprises of a local self-managing body).

3. In accordance with this law and other standards regulating privatization, when the government of the Lithuanian Republic (the local self-managing soviet) demands liquidation of the state capital of an SJSE or reorganization of an SE into an SJSE, the stockholders or workers are obligated to buy out (return) state capital during the depreciation period of the corresponding amount of noncirculating assets, guiding themselves by the depreciation norms of noncirculating assets in doing so. If an enterprise fails to fulfill these demands, it may be liquidated by a decision of the government (the local self-managing soviet).

### Section V. Joint Stock

#### Article 28. Composition and Ownership of Joint Stock

1. The joint stock of an enterprise is formed out of monetary and nonmonetary (property) investments of physical and legal persons, as well as out of the part of the profit that is added to joint stock by the procedure foreseen by this law. Joint stock belongs to the enterprise by right of ownership.

2. Joint stock consists of:

1) nominal joint stock, the amount of which is equal to the nominal value of the shares issued;

2) the reserve fund of nominal joint stock;

3) the reserve profit fund.

3. The reserve fund of nominal joint stock is formed out of income not credited as profit and obtained as a result of the sale of new enterprise shares at a price higher than their nominal value. Income deposited in this fund is not taxed.

4. The reserve profit fund is formed out of the part of profit not paid in the form of dividends and bonuses, or not used in another way and invested into this or other enterprises.

5. The reserve fund of nominal joint capital and the reserve profit fund may not exceed one-tenth of the enterprise's charter capital. Otherwise, reserves exceeding the standards are transferred to charter capital within three months of approval of the annual balance, and nominal joint stock is increased in accordance with the rules foreseen by Article 31 of this law. When these rules are not complied with, reserves exceeding the standard may be transferred by the founder of the enterprise to the enterprise's charter capital upon receiving a written demand to do so from any stockholders or workers of the SE. If the founder of the enterprise does not make such a decision, the indicated persons are entitled to go to court.

#### Article 29. Shares and the Rights to Which They Entitle the Bearer

1. The issue and circulation of the shares of enterprises, their certificates and temporary stockholder certificates are regulated by the Lithuanian Republic's Law on Joint-Stock Companies and by other laws regulating the issue and circulation of securities.

2. Property and personal nonproperty rights of the stockholders of an enterprise are determined by the Lithuanian Republic's Law on Joint-Stock Companies unless foreseen otherwise by this law.

3. An enterprise is not entitled to issue shares that do not grant the bearer the right to vote at a stockholders' meeting.

#### Article 30. Increasing Joint Stock

1. An enterprise may increase nominal joint stock by issuing new shares or raising the nominal value of issued shares. Nominal joint stock may be increased by additional investments only by issuing new shares.

2. An enterprise may issue new shares for monetary investments when nominal joint stock is fully paid for. In other cases nominal joint stock may be increased by nonmonetary (property) investments.

3. An SJSE deemed insolvent by legislatively established procedure is not entitled to increase its joint stock



by issuing or offering new shares to persons who are not its stockholders or workers. An SE that is insolvent has no right to issue shares.

4. The nominal joint stock of an enterprise may be increased by decision of the board following approval of the corresponding amendments to the charter by the oversight council or a stockholders' meeting in accordance with this law. In cases where issue of new preferred shares is foreseen, the approval of a stockholders' meeting is required.

5. Amendments to the charter are registered simultaneously with registration of the increase in capital.

6. The corresponding state body is obligated to register the amendments to the charter and the increase in nominal joint stock in accordance with the procedure established by law if:

1) all shares are subscribed to in the established order and the initial investments are paid off;

2) state bodies (local self-managing bodies) grant permission to expand production in cases established by law;

3) other requirements established by law are fulfilled.

In the event that the state body refuses to register an increase in nominal joint stock or a charter amendment, it is obligated to communicate the reasons for nonregistration to the petitioner within the established time. Nominal joint stock is said to be increased only after it is registered.

7. If at the fault of the enterprise an increase in nominal joint stock was not registered within 3 months of the moment subscription to shares was completed, investments made by persons subscribing to the shares must be returned to these persons with no deductions within 15 days. An enterprise that delays in returning these investments must pay a penalty to stockholders equal to 10 percent of the unpaid sum, unless other penalties are foreseen by the enterprise charter.

8. Shares (their certificates and temporary certificates) may be issued only after an increase in joint stock is registered. Prior to this time, transferring to other persons the rights associated with shares put up for subscription is prohibited.

#### **Article 31. Increasing Nominal Joint Stock by the Assets of an Enterprise**

1. An enterprise has the right to issue new shares and give them to stockholders free of charge or increase the nominal value of shares by transferring the reserve fund of nominal joint stock and the reserve profit fund (or a part of them) belonging to the stockholders and workers of the enterprise to nominal joint stock. Such a transfer

of reserve funds into nominal joint stock is prohibited until an enterprise's losses calculated on an accounting balance are covered.

2. The part of the reserve profit fund belonging to workers of an SE as well as to workers possessing shares is equal to the part of nominal state capital contained within the charter capital of the enterprise. The part of the assets of this fund accumulated in the accounting year that belongs to one worker of the enterprise is proportional to the actual wages (including bonuses) paid to him during this period. The right of a stockholder to the remaining part of the reserve profit fund and the reserve fund of nominal joint capital is established in accordance with the nominal value of the shares possessed.

3. An enterprise communicates in accordance with the procedure established by the charter, to each stockholder and worker having the right to obtain shares issued on the basis of the enterprise's own assets, the issue of free or partially paid shares, and determines the procedure of their acquisition. If in the course of a year from the day of such a communication the stockholder or enterprise worker does not acquire the shares belonging to him, the enterprise is entitled to sell them at its own discretion.

#### **Article 32. Reducing Joint Stock**

1. In cases and in accordance with the procedure established by this law and the charter of the enterprise, an enterprise has the right to reduce nominal joint stock. The board is obligated to communicate its decision, in accordance with the procedure established by the charter, to the founder, to the enterprise's creditors and to stockholders within 10 days of the date of such a decision's adoption.

2. In the event that an SJSE reduces nominal joint stock, its creditors are entitled to demand guarantees.

[25 Oct 90, p 2]

[Text]

3. Amendments to the charter and reduction of nominal joint stock may be registered not later than 30 days after communication of the decision to reduce capital in accordance with a procedure established by the enterprise charter.

4. Until such time that the reduction of joint stock is not registered, the enterprise does not have the right to pay money to stockholders or transfer material valuables to them. After capital is reduced, stockholders need not be released from payment for shares belonging to them.

5. An SE may not reduce nominal joint stock upon its own initiative if its insolvency is announced in accordance with the procedure established by this law. The enterprise is prohibited from reducing nominal joint stock if after such reduction it may become insolvent.

6. In the event that nominal joint stock is reduced by means other than those foreseen by the charter of the enterprise, or when the terms pertaining to different classes of shares are different, consent must be obtained from a stockholders' meeting. Reduction of the nominal joint stock of an SE requires the permission of the founder. The permission of the founder is also required for reduction of the nominal joint stock of an SJSE, if as a result of the intended reduction of capital its remainder would be less than one-fifth of the charter capital.

7. Nominal joint stock may be reduced by an enterprise by the following means:

- 1) by redeeming, or acquiring by other means, its own issued shares, which are subsequently annulled;
- 2) by reducing the nominal value of shares.

8. If after annulment of shares is communicated stockholders do not return the latter within the established time, the enterprise may declare them to be invalid.

9. When nominal joint stock is reduced, shares possessed by the enterprise in itself are annulled first.

10. When an enterprise reduces nominal joint stock by means other than those foreseen by this law, its creditors are entitled to take the enterprise to court. The court may order the enterprise to compensate a creditor's losses in an amount not exceeding the sum that was paid to stockholders.

11. An enterprise is not obligated to buy out shares it offers to stockholders, except in cases foreseen by law.

## **Section VI. The Finances of an Enterprise and Distribution of Profit**

### **Article 33. Finances**

1. An enterprise uses internal and external financial sources. Internal sources include depreciation deductions, interest for using state capital if it remains with the enterprise, and profit. External sources include investments by stockholders, one-time nonreturnable investments by other physical and legal persons, and the assets of loan capital. A solvent state enterprise may receive additional state assets (assets of a local self-managing body) from the budget for major investments.

2. The economic norms of depreciation deductions required to restore worn and obsolete equipment, machines, structures and other nonworking assets are established by the enterprise by appraising the real change in effectiveness of these assets over a certain time period. Actual depreciation deductions of an enterprise cannot be less than established tax standards of depreciation deductions, which are determined by the government of the Lithuanian Republic, as is the procedure of their use. Further depreciation of equipment, structures and other nonworking assets that are fully depreciated in accordance with their initial value is prohibited. When

assets are written off (not fully depreciated) prematurely, their residual is added to the losses of the enterprise.

3. An enterprise pays a penalty of 0.5 percent daily into the budget for interest that is not promptly deducted (not paid) for use of state capital. When an enterprise conceals or reduces this interest or depreciation deductions (payments), a fine equal to the concealed assets is recovered from it and deposited in the budget.

4. In the event of repeated or gross violation of the established procedure of depreciation deductions and deductions (payments) of interest for the use of state capital by an enterprise, and in the event of loss of state property entrusted to an enterprise through some other means, the founder may dissolve the board of the enterprise or impose special surveillance over the enterprise, or reduce part of the state capital possessed by the enterprise, or liquidate (reorganize) the enterprise.

5. An enterprise is obligated to form an emergency fund (a mandatory reserve profit fund). It is formed by annual deductions equal to not less than five percent of profit remaining after payment of taxes. The fund is increased each year until such time that its total amount together with the reserve fund of nominal joint stock attains one-twentieth of the enterprise's charter capital. When there is not enough profit to cover mandatory payments of an enterprise (interest on state capital and insurance, minimum dividends), the amount deducted into the emergency profit fund is correspondingly reduced.

6. Losses and debts resulting from the business and commercial activities of an enterprise are covered by:

- 1) the part of profit belonging to the enterprise's workers and stockholders, and assets of the reserve nominal joint stock fund and the reserve (emergency) profit fund;

- 2) the part of profit intended for payment of mandatory and minimum dividends;

- 3) assets of the nominal joint stock of an SJSE (this provision is not applied to an SE);

- 4) subsidies received by an SE from the state (local self-managing bodies) in the event of a shortage of assets indicated in paragraphs 1, 2 and 3.

7. Losses resulting from bankruptcy of an SE, or other causes, are distributed proportionately between state capital and joint stock.

8. In the event of bankruptcy of an SJSE, losses are covered by joint stock. When these assets are inadequate, they are covered by state capital assets.

### **Article 34. Insolvency of an Enterprise**

1. The insolvency of an SE is established at the request of the founder and documented in the form of an act by an organ of the Lithuanian Republic's Ministry of

Finances on the basis of an analysis of indicators of the enterprise's financial activities, established by financial bookkeeping documents and an inventory. An enterprise may also be deemed insolvent when it fails to meet mandatory payments over three months after they become due, or when there are realistic (provable) expectations that such a state of insolvency will arise.

2. When an SE is insolvent, as well as 1 year after the enterprise became solvent or began working profitably, the founder has the right:

- 1) to dismiss and appoint the chairman of the board;
- 2) to dismiss and appoint members of the board as proposed by the oversight council;
- 3) to establish the amount of pay and bonuses for the chairman of the board and other board members, as well as the administrative executive;
- 4) to establish the procedure for using the enterprise's financial resources;
- 5) to liquidate or reorganize the SE.

3. An enterprise may dispute in court an act deeming an enterprise to be unprofitable or insolvent.

4. A person dismissed from his responsibilities as chairman of the board in connection with the fact that the enterprise under his direction became insolvent or unprofitable cannot be appointed member of the board of another SE or SJSE, chairman, or director of an interim administration for a period of 5 years from the day of his dismissal.

5. The rules foreseen in this article may be applied to an SJSE in the event that after reduction of its internal assets the remainder of nominal joint stock is less than one-tenth of the enterprise's charter capital.

#### Article 35. Dividends

1. Dividends are paid to the bearers of common shares from the part of profit remaining after payment of taxes and other mandatory payments. Dividends are paid with regard for the time of acquisition of a share (within a year), its nominal value, and the obtained profit. Dividends are paid on preferred shares after payment of profit taxes, deduction of interest on state capital, and insurance deductions. The total dividends paid to one person are not limited.

2. The standard dividend is planned and paid in an amount such that anticipated profit would be sufficient to fulfill payment obligations. A final reckoning with stockholders is possible only after mandatory payments are made, and after obligations to creditors are fulfilled.

3. The standard dividend of an SE is planned and paid in an amount such that together with the additional dividend paid on shares, it does not exceed the rate of a relatively profitable enterprise (the ratio of balance profit to charter capital paid off by the enterprise,

reduced by assets invested into unfinished capital construction), attained within the reporting year.

4. The minimum dividend on the common shares of an SE, paid in the form of money or other property, may not be less than the minimum standard established by the government of the Lithuanian Republic for all SE's, increased by percent payments from profit to enterprise workers, per ruble of the enterprise's charter capital.

5. In the event that an SE's profit is insufficient to pay the minimum dividend, the unpaid sum is transferred to the next year (for 1 year). In the event that the minimum dividend is not paid, any distribution of profit of any kind is prohibited, with the exception of taxes and other mandatory payments. If in the course of the year the debt is not paid off, the SE may be deemed insolvent. In this case a stockholders' meeting may demand liquidation of the SE's nominal joint stock by the enterprise's redemption of the shares it had issued. When the SE refuses to redeem the shares, it must be liquidated within a year. A founder intending to lengthen the activity of the enterprise may redeem shares with his own assets during the liquidation period.

6. The joint stock of an SE is liquidated at the expense of the depreciation assets of joint stock, and with the consent of the founder, at the expense of deductions of interest on state capital as well. The shares of liquidated joint stock must be redeemed not later than in the course of the average standard time of depreciation of non-working assets possessed by the SE. The value of annually redeemed capital must not be less than the part of the annual average nominal value of shares subject to redemption within the established (announced) period, this proportion being recalculated as growth (accumulation) occurs. Shares are redeemed in accordance with this law and the enterprise charter.

#### Article 36. Distribution of Profit

1. The following mandatory payments are made from the balance profit of an enterprise:

- 1) taxes, into the budget;
- 2) deductions of interest into state capital;
- 3) insurance premiums for state capital accumulated at the enterprise;
- 4) mandatory and minimum dividends;
- 5) deductions into the enterprise's emergency profit fund.

Dividends and bonuses are paid, reserve capital is formed, and additional social, cultural and other programs are financed out of the remaining profit.

2. Payment of dividends to stockholders and bonuses to workers out of profit or division of profit by any other means, or transfer of profit to the workers and stockholders of an enterprise are prohibited until such time



that the demands of the enterprise's creditors and the state (local self-managing body) are satisfied.

3. Following conclusion of the business year, dividends may be paid in advance, if the preliminary financial balance for the reporting year allows sufficient profit for this purpose. Not more than half of the profit foreseen for dividends may be paid in advance. The total paid out early may not exceed half the profit of the preceding year, remaining after mandatory payments.

4. Bonuses may be paid to workers of an SE quarterly in advance, if acquisition of sufficient profit is anticipated on the basis of the current financial results of economic activity. Not more than two-thirds of the bonuses intended to be paid for work in the course of the corresponding period may be paid out in advance. The remaining sums are paid at the conclusion of the business year, with regard for actual profit. Not more than two-thirds of total bonuses actually paid out in the previous year may be paid in advance.

[Signed] *Chairman of the Supreme Soviet of the Lithuanian Republic V. Landsbergis, Vilnius, 25 September 1990*

#### Decree on Implementation of Law

914A0191B Vilnius EKHO LITVY in Russian 25 Oct 90 p 1

[Decree of the Supreme Soviet of the Lithuanian Republic on the Procedure of Enacting the Law of the Lithuanian Republic on State Enterprises]

[Text] The Supreme Soviet of the Lithuanian Republic resolves:

1. To establish that the Law of the Lithuanian Republic on State Enterprises is enacted as of 1 October 1990, with the exception of articles regulating standard taxes, interest and insurance premiums for the use of state capital and formation of the administrative bodies of a state enterprise (SE).

Administrative bodies of an SE are formed in accordance with this law from 1 November to 31 December 1990.

2. To establish that articles of the Law of the Lithuanian Republic on State Enterprises regulating insurance of state capital transferred to the disposal of an enterprise become effective as of 1 January 1991.

3. To instruct the government of the Lithuanian Republic:

- to provide for reregistration, with local self-managing bodies by 15 November 1990, of all state enterprises that begin their activities on the day of this law's enactment;
- to prepare, and submit to the Supreme Soviet of the Lithuanian Republic by 20 October 1990, a draft

denationalization program together with the following lists: of state enterprises that may operate as state joint-stock enterprises or become private enterprises (joint-stock companies, closed joint-stock companies, business associations or individual (private) enterprises), and of enterprises transferred to the possession of local self-managing bodies;

- to adopt, by 31 October 1990, a decree and prepare drafts of laws necessary for implementation of the Law on State Enterprises.

4. To prohibit enterprises from beginning to buy out, sell or privatize state capital (property) in any way prior to enactment of a law regulating denationalization.

5. To establish that prior to full enactment of the Lithuanian Republic's Law on Taxation of the Profit of Legal Persons Upon Registration or Reregistration of Enterprises, the Ministry of Finance of the Lithuanian Republic must recalculate their taxes for the purposes of establishing a standardized profit tax. The annual amount of this tax is determined with regard for regular payments into the budget and deductions from profit to higher organizations, which are reduced by an amount foreseen for allocation in the current year to the given enterprises in the form of subsidies and other centralized payments.

6. To establish that:

- prior to initiation of the price reform program, the standard rate for the use of state capital is established, in accordance with the amount of deductions from profit into the production development fund foreseen for enterprises in 1990, by reducing it by the amount of depreciation deductions planned to be transferred into centralized funds, while depreciation deductions are retained by the enterprise;
- prior to adoption of the corresponding decrees on matters concerning reform of wholesale trade, the state quotas (orders) and allocations established in accordance with procedures foreseen by the government of the republic for 1990-1991 are binding upon all state (state joint-stock, state cooperative) enterprises operating on the territory of the Lithuanian Republic.

7. State enterprises, organizations and associations must reorganize operating associations, establish new and liquidate or reorganize existing state enterprises, and create productive and nonproductive associations together with the state enterprises, institutions and organizations of other states only in correspondence with decrees of the Supreme Soviet or government of the Lithuanian Republic.

[Signed] *Chairman of the Supreme Soviet of the Lithuanian Republic V. Landsbergis, Vilnius, 25 September 1990*

**Turkmen SSR Law on Property****Text of Law**

914A0230A Ashkhabad TURKMENSKAYA ISKRA  
in Russian 30 Oct 90 pp 1, 2

["Text" of law on property: "Law of the Turkmen Soviet Socialist Republic on Property in the Turkmen SSR"]

[Text]

**Section I. General Provisions****Article 1. Right of Ownership**

1. The right of ownership in the Turkmen SSR is recognized and protected by law.

2. An owner, at his discretion, possesses, uses, and disposes of property belonging to him.

An owner has the right to carry out any actions with respect to his property that are not contrary to the law. He may use his property to accomplish any economic or other activity not prohibited by law.

3. In cases, on conditions, and within limits specified by law, an owner may be obligated to permit limited use of his property by other persons.

4. A owner has the right, on conditions and within limits specified by legislative acts of the Turkmen SSR, to conclude contracts with citizens on the use of their labor when exercising his right of ownership.

Regardless of the form of ownership on the basis of which a citizen's labor is used, he is ensured wages, working conditions, and other social and economic guarantees specified by existing legislation.

5. Exercising the right of ownership must not harm the environment, violate the law, or violate the interests of citizens, enterprises, institutions, organizations, or the state.

**Article 2. Legislation of the Turkmen SSR on Ownership**

1. This law, in accordance with the Constitution of the Turkmen SSR, establishes the basic provisions of ownership that are in effect on the territory of the Turkmen SSR.

2. Ownership relations in the Turkmen SSR not specified by this law are governed by legislative acts of the Turkmen SSR issued in accordance with it.

3. Particular features of exercising the right of ownership of historical and cultural monuments are specified by special legislation of the Turkmen SSR.

4. Relations for the creation and use of inventions, discoveries, works of science, literature, art, and other objects of intellectual property are governed by special legislation of the Turkmen SSR and the USSR.

**Article 3. Objects of the Right of Ownership**

1. Land, its mineral resources, waters, the plant and animal world, buildings, structures, equipment, articles of material and spiritual culture, monetary assets, securities, and other property may be owned.

2. The results of economic use of property (products and income) belong to the owner of this property, unless otherwise specified by law or contract.

**Article 4. Subjects of the Right of Ownership. Forms of Ownership**

1. Ownership in the Turkmen SSR is in the form of ownership by citizens of the Turkmen SSR and collective and state ownership.

In the Turkmen SSR there may exist ownership by the USSR, union and autonomous republics, and their juridical persons and citizens.

In the Turkmen SSR there may exist ownership by foreign states, international organizations, and foreign juridical persons and citizens.

2. It is permissible to combine the property owned by citizens, juridical persons, and the state and to form on this basis mixed forms of ownership, including ownership of joint ventures with participation by Soviet juridical persons and citizens.

3. Other forms of ownership not specified by the USSR Law on Property in the USSR and this law may be established by legislative acts of the Turkmen SSR.

4. Property can by law belong to the general (shared or common) holdings of several persons at the same time not dependent upon type of property.

5. The Turkmen SSR creates the conditions necessary to develop various forms of ownership and ensure their protection.

**Article 5. Recovery Against an Owner's Property**

1. Recovery for obligations of a juridical person can be made against any property belonging to him based on the right of ownership or full economic jurisdiction and also operational management, other than as specified by Article 27 of this law.

The property owner is not liable for the obligations of juridical persons created by him, and they are not liable for the obligations of the property owner, other than as specified by legislative acts of the Turkmen SSR and USSR.

2. Citizens are liable for their obligations by property belonging to them based on the right of ownership.

The list of citizens' property against which claims by creditors may not be recovered is established by legislative acts of the Turkmen SSR.

## **Section II. Property of Citizens of the Turkmen SSR**

### **Article 6. General Provisions on Property of Citizens**

1. Property of citizens is created and increased through their earned income from participation in social production, from management of their own facilities, from income from funds invested in credit institutions, stocks, and other securities, by acquiring property through inheritance, and on other grounds permitted by legislation.

2. A citizen has the exclusive right to dispose of his own capabilities for productive and creative labor.

A citizen exercises this right independently or on the basis of a labor contract.

3. A citizen has the right, with concurrence of the property owner, to make a monetary or other contribution to the property of an enterprise, other economic organization, or daykhan [transliterated] or other labor service in which he works under a labor contract, and to participate in the distribution of profit (income) of such an enterprise (organization) or service in proportion to this contribution in accordance with the concluded agreement.

4. For managing private subsidiary farms (private plots), gardening, construction and maintenance of apartment houses, construction of summer cottages, and satisfying other needs specified by legislative acts, citizens are granted land for lifetime ownership with right of succession, and the land is transferred to heirs by decision of the corresponding local soviet.

5. The right of inheritance of property of citizens is recognized and protected by law.

### **Article 7. Objects of Citizens' Right of Ownership**

1. The following may be the property of citizens: apartment houses; economic facilities; garages; summer cottages; garden houses; plantings on a plot of land; productive and working livestock; poultry; transport equipment; monetary assets, stocks and other securities; household and personal items; means of production for managing daykhan and other labor services, private subsidiary farms, gardening, truck farming, individual and other economic activities; production output and income received; and also other property for the purpose of consumption and production.

2. A member of a housing, housing construction, summer cottage, garage, or other cooperative, who has contributed his share for an apartment, summer cottage, garage, or other structure or premises granted to him for use, acquires the right of ownership of this property.

A tenant of living accommodation in a building of the state and public housing fund and his family members have the right to redeem from the owner the corresponding apartment or house.

After acquiring ownership of this property, a citizen has the right to dispose of it at his own discretion—sell it, will it, lease it, or make other transactions with it that are not contrary to the law.

3. Legislative acts of the Turkmen SSR may establish the types of property that may not be owned by citizens. The make-up and cost of other property acquired by a citizen using his earned income and savings and on other grounds permitted by law are not restricted.

### **Article 8. Ownership of a Labor Service**

1. Family members and other persons jointly managing a labor service may own a workshop, other small business in the sphere of consumer services, trade, public dining, and other areas of economic activities, apartment houses and economic buildings, machinery, equipment, transport equipment, raw materials, materials, and other property necessary for independent management of the service.

2. The property of a labor service, including the production output and income received, is the overall ownership by shares of family members and other persons jointly managing the service, unless otherwise specified by a contract between them.

### **Article 9. Property of a Daykhan and Private Subsidiary Farm**

1. A daykhan farm may have in its possession apartment houses, economic buildings, plantings on a plot of land, productive and working livestock, poultry, agricultural equipment and tools, transport equipment, and other property necessary for independent management of agricultural production, processing, and sale of products.

The production output and income received are the property of the daykhan farm and used by it at its own discretion.

2. The property of a daykhan farm belongs to its members by the right of joint ownership, unless otherwise specified by legislative acts of the Turkmen SSR.

3. The rules of this article also apply to private subsidiary farms of citizens.

## **Section III. Collective Property**

### **Article 10. General Provisions on Collective Property**

1. Collective property includes property of lease enterprises, collective enterprises, cooperatives, joint stock companies, economic societies and companies, economic associations, public organizations, and other associations which are juridical persons.

2. The formation and increasing of collective property are provided by the leasing of state enterprises, granting labor collectives the opportunity to use income received to redeem state property, transforming state enterprises into joint stock companies, and the voluntary combining



of property of citizens and juridical persons to create cooperatives, joint stock companies, and other economic societies and companies.

#### **Article 11. Property of a Leased Enterprise**

The property of a lease enterprise includes the production output, income received, and other property acquired using the assets of this enterprise.

The procedure and conditions for participation of the labor collective members of a lease enterprise in the management of its affairs and distribution of profit (income) are determined by legislation of the Turkmen SSR on leasing and lease relations.

#### **Article 12. Property of a Collective Enterprise**

1. Ownership of a collective enterprise occurs in the event of the transfer of ownership of all property of a state enterprise to a labor collective, redemption of leased property, or acquisition of property by other means specified by law.

The property of a collective enterprise, including production output and income received, is the common property of its collective.

2. The contributions of the workers determine the property of the collective enterprise. This contribution includes the amount of a worker's contribution to the property of a state or lease enterprise on the basis of which the collective enterprise was formed and also a worker's contribution to increasing the property of this enterprise after its creation.

The amount of a worker's contribution to increasing the property is determined based on his labor participation in the activities of the enterprise.

Interest on a collective enterprise worker's contribution is calculated and paid in an amount determined by the labor collective based on the results of the enterprise's economic activity.

The entire value of a worker's contribution is paid to a worker who discontinues labor relations with an enterprise, as well as to the heirs of a worker who dies.

On liquidation of a collective enterprise, the value of the contribution is paid to workers (their heirs) from the property that is left after settlement with the budget, banks, and other creditors of the enterprise.

#### **Article 13. Property of a Cooperative**

1. The property of a cooperative is formed using monetary and other property contributions of its members, its production output, and income received from its sale, and other activities specified by the charter of the cooperative.

2. On liquidation of the cooperative, the property that is left after settlement with the budget, banks, and other creditors of the cooperative is distributed among the members of the cooperative.

#### **Article 14. Property of an Economic Society and Association**

1. The property of economic societies and associations that are juridical persons is formed through contributions of its participants, property received as a result of economic activities, and property acquired by them on other grounds permitted by law.

2. The contribution of a participant in an economic society and association may include fixed and working capital, monetary assets, and securities.

3. Enterprises, institutions, organizations, state bodies, and also citizens may be participants in an economic society or association.

#### **Article 15. Property of a Joint Stock Company**

1. A joint stock company is the owner of property created through the sale of stock and also received as a result of economic activities or acquired by it on other grounds permitted by law.

2. Enterprises, institutions, organizations, and state bodies may be stockholders.

The workers of a given company and also other citizens may be stockholders, unless otherwise specified by legislative acts of the Turkmen SSR or the company charter.

3. A state enterprise, by joint decision of the labor collective and an authorized state body, may be transformed into a joint stock company by issuing stock for the entire value of the enterprise's property. The workers of the enterprise have priority in acquiring stock. Funds received from the sale of stock go to the corresponding budget after discharging the state enterprise's debts.

#### **Article 16. Property of Economic Associations [assotsiatsiya, obyedineniye]**

1. An economic association of enterprises and organizations (including concerns and sectorial, intersectorial, and regional associations) has the right to ownership of property transferred to it by enterprises and organizations and also received as a result of its economic activities.

2. An economic association does not have the right to ownership of the property of the enterprises and organizations that comprise it.

3. The property remaining after termination of the activities of an economic association is distributed among the enterprises and organizations that comprise it according to their contributions.

**Article 17. Property of Public Organizations and Funds**

1. Public organizations, including charitable and other social funds, have the right to ownership of buildings, structures, housing stocks, equipment, tools and equipment, property for cultural-educational and health purposes, monetary assets, stocks, other securities, and other property necessary for material support of the activities specified by their charters (regulations). Enterprises created in accordance with the goals indicated in their charters (regulations) using the assets of these organizations (funds) may also be the property of public organizations (funds).

2. Property remaining after liquidation of a public organization (fund) is used for the purposes specified in its charter (regulation).

**Article 18. Property of Religious Organizations**

The property of religious organizations may include buildings, objects of worship, installations for production, social, and charitable purposes, monetary assets, and other property necessary to support their activities.

Religious organizations have the right to ownership of property acquired and created by them using their own funds, donated by citizens and organizations or transferred by the state, or acquired on other grounds specified by law.

**Section IV. State Property**

**Article 19. General Provisions on State Property**

1. State property in the Turkmen SSR includes property of the Turkmen SSR, all-union property, property of other union and autonomous republics, and property of administrative and territorial formations (municipal property). Disposition and management of state property is accomplished on behalf of the people (the population of an administrative and territorial formation) by the appropriate soviets of people's deputies and state bodies authorized by them.

By agreement between the owners of state property, it may be mutual property.

2. Property created or acquired using budget or other funds of the Turkmen SSR, the USSR, other union and autonomous republics, or an administrative and territorial formation, or the funds of enterprises, organizations, and institutions under their jurisdiction is the property of the Turkmen SSR, property of the USSR, all-union property, or property of an administrative and territorial formation.

3. The Turkmen SSR and its administrative and territorial formations are not liable for obligations of one another or for obligations of the USSR, union republics, and autonomous formations.

**Article 20. Ownership of Land and Other Natural Resources**

1. Land and its mineral resources, waters, and the plant and animal world are the inalienable property of the people of the Turkmen SSR.

The Turkmen SSR exercises, in accordance with the laws of the Turkmen SSR, ownership, use, and disposition of land and other natural resources.

The use and disposition of waters and other natural resources located on the territory of the Turkmen SSR and other union or autonomous republics are exercised by agreement with them, when necessary with participation of the USSR.

2. Plots of land and other natural objects on the territory of the Turkmen SSR, granted by agreement between the Turkmen SSR and the USSR, are in possession of and use by the USSR. The conditions of their possession and use are established by the Turkmen SSR.

3. The procedure for granting land and other natural resources for possession and use are determined by legislation of the Turkmen SSR; for support of all-union and interrepublic defense needs and national security—by legislation of the USSR and the Turkmen SSR on the use and protection of natural resources.

4. Disputes arising between the Turkmen SSR and the USSR in connection with the granting and use of land and other natural resources are reviewed by way of arbitration or in another manner prescribed by legislation.

**Article 21. Property of the Turkmen SSR**

Property of the Turkmen SSR includes land and its mineral resources, waters, the plant and animal world, property of bodies of power and administration of the Turkmen SSR, cultural and historical values of the people of the Turkmen SSR, assets of the republic budget, republic banks, republic insurance, reserve, and other funds, and also enterprises, structures, and national economic complexes, common use means of communication, higher educational institutions of republic importance, social and cultural facilities, and other property acquired at the republic's expense or transferred free of charge to the ownership of the Turkmen SSR by the USSR, other union and autonomous republics, citizens, and other juridical persons supporting the sovereignty, economic activities of the republic, and its economic and social development.

**Article 22. All-Union Property**

All-union property on the territory of the Turkmen SSR may include property of bodies of power and administration of the USSR and the main pipeline transport; the USSR unified power system; space systems and all-union communications and information systems; property of the USSR Armed Forces, border troops, internal troops, and railroad troops; defense installations; union budget assets; the USSR State Bank and other USSR banks; and all-union reserve, insurance, and other funds.

All-union property on the territory of the Turkmen SSR may also include certain enterprises and national economic complexes in industry, power engineering, and construction; rail, air, and maritime transport; higher educational institutions of all-union importance; and other property acquired using all-union funds or transferred free of charge to the ownership of the USSR by the Turkmen SSR, its citizens, and juridical persons.

Objects of all-union ownership on the territory of the Turkmen SSR are determined by agreement between the Turkmen SSR and the USSR.

**Article 23. Property of Other Union and Autonomous Republics**

Property of other union and autonomous republics on the territory of the Turkmen SSR includes the property of bodies of power and administration, cultural values of the peoples of other union and autonomous republics, and also enterprises, social and cultural facilities, and other property for the purpose of carrying out economic and other activities. The objects of such ownership are determined by agreement between the Turkmen SSR and other union and autonomous republics.

**Article 24. Property of Administrative and Territorial Formations (Municipal Property)**

The property of an oblast, rayon, or other administrative and territorial formation includes the property of bodies of power and administration of an administrative and territorial formation, local budget assets, housing stocks, and housing and public utilities of the local soviet of people's deputies; it may also include agricultural, trade, and everyday services enterprises; transportation; industrial, construction, and other enterprises and complexes; institutions of public education, culture, and health; and other property necessary for economic and social development and fulfillment of other tasks facing the corresponding administrative and territorial formations.

**Article 25. Property of a State Enterprise**

1. Property that is state property and assigned to a state enterprise belongs to it with the right of complete economic management.

2. State bodies authorized to manage state property decide questions of creating an enterprise and determining the purpose of its activities, its reorganization and liquidation, monitor the utilization effectiveness and safety of the state property entrusted to it, and exercise other legal powers in accordance with legislative acts of the Turkmen SSR and the USSR on enterprises.

3. In the event a state body authorized to manage state property decides to reorganize or liquidate a state enterprise, the labor collective has the right to demand the leasing or transformation of it into a different enterprise based on collective ownership. Disputes arising in such cases between the state body and the labor collective are settled by the State Board of Arbitration.

**Article 26. Property of Labor Collective Members of a State Enterprise**

1. The profit a state enterprise has left over after payment of taxes and other payments to the budget (net profit) goes to the enterprise's labor collective. Part of this profit is transferred to the possession of the labor collective members in the procedure and amount determined by legislative acts.

2. The amount of profit belonging to a labor collective member forms his contribution. Shares of stock can be issued to the labor collective member for the amount of his contribution.

The enterprise pays interest (dividends) annually on the contribution (shares of stock). The amount of the portion of profit to go towards payment of interest (dividend), is determined by agreement between the enterprise administration and the labor collective.

3. With the consent of the labor collective member, the amount of his contribution (all or part) may be used for construction or acquisition of an apartment house or any other social and cultural facility. Interest is not paid on the corresponding amount of the contribution.

A labor collective member has the right to receive the amount of his contribution (value of stock shares) in the manner and at the times determined by joint decision of the administration and labor collective.

In the event of liquidation of an enterprise, the amount of the contribution (value of stock shares) is paid to the labor collective members (their heirs) from the property left after settlement with the budget, banks, and other creditors of the enterprise.

**Article 27. Property of a State Institution**

1. Property that is state property and assigned to a state institution (organization) that is on the state budget is under operational control of this institution (organization).

2. A state institution (organization) is liable for the obligations by the monetary assets at its disposal.

**Section V. Property of Joint Ventures and Foreign Citizens, Organizations, and States**

**Article 28. Property of Joint Ventures**

Joint ventures involving Soviet juridical persons and foreign juridical persons and citizens are created on the territory of the Turkmen SSR in the form of joint stock companies, economic societies and associations, and may own property necessary to accomplish the activities specified by the founding documents.

**Article 29. Property of Foreign Citizens and Persons Without Citizenship**

The provisions of this law pertaining to the property of citizens of the Turkmen SSR also apply to the property



of foreign citizens and persons without citizenship that is located in the Turkmen SSR. Provisions on the property of daykhan and other labor services apply to the property of foreign citizens and persons without citizenship who permanently reside in the Turkmen SSR.

#### **Article 30. Property of Foreign Juridical Persons**

Foreign juridical persons have the right to have on the territory of the Turkmen SSR ownership of industrial and other enterprises, buildings, structures, and other property for the purpose of accomplishing economic and other activities in the instances and manner established by legislative acts of the Turkmen SSR.

#### **Article 31. Property of Foreign States and International Organizations**

Foreign states and international organizations have the right to have on the territory of the Turkmen SSR ownership of property necessary to carry out diplomatic, consular, and other international relations in the instances and manner established by international treaties and legislative acts of the Turkmen SSR.

### **Section VI. Guarantees and Protection of Rights of Ownership**

#### **Article 32. Guarantees of the Right of Ownership**

1. The Turkmen SSR guarantees the stability of ownership relations established in accordance with this law.

In the event the Turkmen SSR passes legislative acts terminating the right of ownership, losses caused a property owner as a result of passage of these acts will be compensated for in full by decision of the court.

2. The Turkmen SSR will ensure in legislation equal conditions of protection of the right of ownership for citizens, enterprises, organizations, and other property owners.

#### **Article 33. Protection of the Right of Ownership**

1. A property owner has the right to obtain on demand his property from another's illegal possession in accordance with civil legislation of the Turkmen SSR.

2. A property owner may demand elimination of any violations of his rights, even if these violations were not connected to deprivation of possession.

3. Protection of the right of ownership is accomplished by the court, the State Board of Arbitration, or an arbitration court.

4. The rights specified by this article also belong to a person who, although not the owner, possesses property with the right of complete economic management, operational management, lifelong possession with right of succession, or on any other grounds specified by law or by contract. This person has the right to protection of his possession also against the owner.

#### **Article 34. Protection of the Property Owner's Interests on Termination of His Rights for Reasons Specified by Law**

1. Termination of the right of ownership in connection with a decision on confiscation of the plot of land on which a house, other structures or plantings belonging to the property owner are located or by other decisions of a state body not aimed directly at confiscation of property from the owner is permitted only in instances and manner established by legislative acts of the Turkmen SSR and the USSR, with full compensation to the property owner for losses caused by termination of the right of ownership.

If the property owner does not agree with a decision entailing termination of the right of ownership, it cannot be implemented until the dispute is settled by the court, the State Board of Arbitration, or an arbitration court. All questions of compensation to the property owner for damages caused are also decided during examination of the dispute.

2. Confiscation of property from the owner by the state on the territory of the Turkmen SSR is permitted only by an appeal for recovery against this property for obligations of the property owner in the instances and manner specified by legislative acts of the Turkmen SSR and the USSR, and also by way of requisition and confiscation.

In the event of natural disasters, accidents, epidemics, epizootic diseases, and in other circumstances of an emergency nature, in the interests of society property can be confiscated from the owner by decision of bodies of state power in the manner and on terms established by legislative acts of the Turkmen SSR and the USSR, with payment to him for the value of the property (requisition).

In cases specified by legislative acts of the Turkmen SSR and the USSR, property can be confiscated from an owner by decision of the court, the State Board of Arbitration, or other competent state body (official) in the form of sanctions for commission of a crime or other violation of the law (confiscation).

#### **Article 35. Invalidity of Acts Violating Rights of Ownership**

If the rights of a property owner or other persons for the possession, use, or disposition of property belonging to them are violated as a result of issuance of an act by a body of state administration or local body of state power that does not conform to the law, such an act is considered invalid by action of the property owner or person whose rights have been violated.

Losses caused citizens, organizations, and other persons as a result of issuance of these acts are subject to full compensation using funds at the disposal of the corresponding body of power or administration.

[Signed] *Chairman of the Turkmen SSR Supreme Soviet*  
*S. Niyazov, City of Ashkhabad, 12 October 1990*

### Decree on Implementation

914A0230B Ashkhabad TURKMENSKAYA ISKRA  
in Russian 30 Oct 90 p 2

[“Text” of decree: “Decree of the Turkmen SSR Supreme Soviet on Implementation of the Turkmen SSR Law on Property in the Turkmen SSR”]

[Text] The Supreme Soviet of the Turkmen Soviet Socialist Republic **decrees:**

1. To implement the Turkmen SSR Law on Property in the Turkmen SSR effective at the time of its publication.

2. Henceforth, until the republic's legislation is brought in line with the Turkmen SSR Law on Property in the Turkmen SSR, existing legislative acts of the Turkmen SSR apply as long as they are not contrary to this law. Decisions of the republic government, issued before implementation of this law, on matters which can be regulated only by legislative acts are in effect until passage of the corresponding legislative acts.

3. The Turkmen SSR Law on Property in the Turkmen SSR applies to legal relations occurring after implementation of this law.

For legal relations occurring before implementation of this law, it applies to those rights and obligations which occur after implementation of the law.

The provisions of paragraph 2 of Article 7 of this law apply to legal relations occurring both before and after implementation of this law.

4. The provisions of the Turkmen SSR Law on Property in the Turkmen SSR pertaining to state property: property of the Turkmen SSR, all-union property, property of union and autonomous republics, and property of administrative and territorial formations, enter into force as a differentiation of property between the indicated types of ownership.

The Turkmen SSR Council of Ministers is to ensure:

- jointly with the USSR Council of Ministers, differentiation of property between all-union property and property of the Turkmen SSR. In so doing, it is to proceed from the fact that besides property of republic-subordinate enterprises, institutions, and organizations of republic subordination, property of the Turkmen SSR should also include the property of union-subordinate enterprises, institutions, and organizations transferred to the possession of the Turkmen SSR;
- with the participation of oblasts and other administrative and territorial formations, differentiation of property between property of the Turkmen SSR and property of oblasts and other administrative and

territorial formations. In so doing, proceed from the fact that besides property of local subordination, the property of administrative and territorial formations should also include the property of republic-subordinate enterprises, institutions, and organizations transferred to the possession of administrative and territorial formations.

5. Cases referred by the Turkmen SSR Law on Property in the Turkmen SSR to the jurisdiction a court and State Board of Arbitration and not completed by production in administrative and other bodies by the time of implementation of this law are subject to review by courts and bodies of the State Board of Arbitration in accordance with the established jurisdiction.

6. The rules on protection of the right of ownership specified by articles 33-35 of the Turkmen SSR Law on Property in the Turkmen SSR also apply to claims occurring before implementation of this law.

As specified by paragraph 1 of Article 32, the right to compensation for losses, caused a property owner by passage of a legislative act terminating the right of ownership applies with respect to acts passed after implementation of this law.

7. To instruct the Turkmen SSR Council of Ministers:—in the first six months of 1991 to submit for consideration of the Turkmen SSR Supreme Soviet drafts of the following:

- legislative acts of the Turkmen SSR governing relations for the creation and use of inventions and discoveries, works of science, literature, and art, and other objects of intellectual property;
- a legislative act determining the types of property which, for reasons of state and public security or in accordance with international treaties of the USSR and the Turkmen SSR, cannot be in the possession of citizens;
- by 1 January 1991 bring decisions of the republic government in line with the Turkmen SSR Law on Property in the Turkmen SSR;
- by 1 January 1991 ensure a review and repeal of normative acts by ministries, state committees, and departments that are contrary to this law;
- by 1 January 1991 submit to the Turkmen SSR Supreme Soviet proposals on bringing legislative acts of the Turkmen SSR in line with the Turkmen SSR Law on Property in the Turkmen SSR.

[Signed] *Chairman of the Turkmen SSR Supreme Soviet*  
*S. Niyazov, City of Ashkhabad, 12 October 1990*

### Uzbekistan's Draft Program for a Market Economy

914A0121A Tashkent PRAVDA VOSTOKA in Russian  
17 Oct 90 pp 2, 3

[Draft of Basic Directions in Stabilization of Uzbekistan's National Economy and Principles of Entry Into a Market Economy]

[Text] The draft of Basic Directions in Stabilization of Uzbekistan's National Economy and Principles of Entry Into a Market Economy were developed by a working group of the Uzbek SSR Council of Ministers with the participation of specialists in the national economy, scientists, and representatives of public organizations.

An active and stepped-up search for ways out of this critical situation, in which the economy and the socio-political system as a whole are, is now going on in the entire country. Many programs have been proposed, but their realization is hindered owing to the lack of unified approaches and an effective mechanism of implementing them.

Such a choice, which is entirely dictated by concern for the well-being of our republic and for the interests of its residents, also faces Uzbekistan.

The entire experience in unitary statehood in our country indicates that a policy that ignores specific socioeconomic, national-psychological, demographic, geographic, natural-climatic, historical, and other objective differences among regions, ultimately, is doomed to failure.

Uzbekistan's population to a greater extent than in other regions feels the consequences of the long dictate of the administrative command system, to which gross errors and miscalculations of recent years have been added.

The state of the republic's economy and of its social sphere requires an urgent solution of many problems that have accumulated. Crisis tendencies have begun to be manifested more and more clearly in the development of Uzbekistan's national economy. The republic's overall development has been disrupted, deep structural disproportions have been uncovered, and the efficiency of utilization of resources has declined. As a consequence of all this, social problems have become aggravated, the gap with the average Union level in all basic indicators of the population's well-being is not being reduced, and the ecological situation in a number of Uzbekistan's regions has deteriorated sharply. The aggravation of interethnic relations creates considerable tension in the republic.

The insufficiently considered and voluntarist distribution of productive forces, spreading of ecologically harmful industries in oases, and cotton monoculture have led to deep disturbances in the equilibrium in the national economy. The most valuable and nonrenewable mineral-raw material and fuel resources have not been utilized efficiently. They are being transported to other regions almost without any processing. A significant part of the enterprises in the republic operate until they are worn out. Their equipment has become worn out and obsolete and has been in need of replacement for a long time.

The narrow departmental approach to the distribution of industry and disregard for the interests of the republic's people have led to serious distortions in the development

of the social infrastructure. A considerable gap in the levels of socioeconomic development of individual regions between urban and rural areas has been formed on the republic's territory.

The situation on the consumer market becomes increasingly aggravated every day. On the one hand, an acute shortage of goods and services and, on the other, uncovered monetary reserves among individual population categories have been formed. The situation on the food market in many of the republic's cities and villages has become especially aggravated.

The unbalanced food ration, which is based on bread, low quality of drinking water in a number of regions, insufficient development of the public health base, and deterioration in the ecological situation—all this has a negative effect on the population's general standard of living and health. In terms of the average length of life Uzbekistan holds one of the last places in the Union. There are no elementary conditions not only for man's harmonious development and for the moral formation of his personality, but often also for elementary life support.

The one-sided development of national economic sectors, which has been going on for decades, and the position of a raw-material appendage for the country's other regions have had a decisive effect on the crisis situation in the republic's national economy.

All this is the reflection of the crisis that is going on in the country and of the nonviability of former unitary political and socioeconomic structures, which require the transformation of public and production relations.

At the same time, the processes of renewal of the USSR national state system, which are positive in their basis, are accompanied by acute conflicts and considerable economic losses.

The striving of nations for economic and political sovereignty has found its expression in the adoption of declarations on state sovereignty (independence) of republics and of legislative acts affirming their economic independence. The Uzbek SSR has also adopted such a declaration. Under these conditions the attempts to turn events backwards have no prospects historically. Sovereign republics consider the fundamental transformation of unitary political and socioeconomic structures their common goal.

In the package of measures for solving the economic and social problems that have accumulated, for fundamentally changing the motivation for labor, and for eliminating wage leveling the transition to a market economy is a real way out of the crisis situation.

Profoundly studying the program drafts and measures prepared in other regions and taking everything that is valuable and useful from them, we proceed from the fact that Uzbekistan's entry into market relations requires its



own approaches, which thoroughly take into account the republic's socioeconomic, demographic, and national-historical characteristics.

Our common duty is to realistically evaluate the essence and content of the market mechanism as applied to Uzbekistan's conditions, to envisage the possible difficulties and consequences of its introduction, and to work out measures to maximally soften the negative social consequences of the transitional period.

In the republic a great deal is done to stabilize the economy. To a great extent this has become possible, first of all, because stepped-up work on ensuring a smoother transition, with the smallest losses for the republic's population and economy, to new economic relations has been carried out for a long time.

The correctness of the line for a practical solution of problems that have accumulated, which has been chosen in the republic, is confirmed both by the support of wide population strata and by the situation in the national economy and the social sphere. Although the complex situation in leading sectors and in the economy of the country as a whole, of course, could not fail to affect Uzbekistan's economic development. Nevertheless, owing to stepped-up organizational work by republic bodies, local soviets, and labor collectives, a noticeable increase in output has been attained in the republic, whereas a reduction in production volumes has occurred in the country as a whole during 9 months of this year. In Uzbekistan during the same time the industrial production volume has risen by 2.7 percent, including of consumer goods, by 7 percent. Gross agricultural output has increased by 18.6 percent. All this has made it possible to increase the national income produced during this period by 8.7 percent. In the republic measures are taken to consolidate these shifts in the future as well. Uzbekistan, in contrast to many other regions and despite the difficulties existing in it, fulfills conscientiously contractual obligations for deliveries of industrial and agricultural products, including for export.

At the same time, it is evident that without a general improvement in the state of affairs in the country the measures taken in the republic cannot be effective to a sufficient degree.

Therefore, a sober view of the inevitable difficulties is necessary. At the same time, the problem of how this process will occur, how to make it less painful, and how to get out of the crisis deadlock, in which our economy is, is extremely important.

Realizing the indissoluble connection of the republic's national economy with the country's economy and with other regions, the entire Uzbek SSR nation regards the preparation of the new Union Treaty and programs for the transition to market relations with special interest and attention.

The basic goal-oriented direction of the entire system of measures for Uzbekistan's entry into a market economy should envisage the following:

- unconditionally ensuring the priority of interests and needs of Uzbekistan's population, solution of fundamental problems of improving life, creation of firm conditions and guarantees for the observance of man's rights, all-around uncovering of his spiritual potential, and revival and development of national culture, traditions, and customs;
- ensuring reliable social protection for the population by the state, including through the creation of conditions for increased employment of labor resources and material support for vulnerable and poor population strata;
- forming a firm basis for sharply accelerating the development of public production and for lending dynamism to our economy so that its growth may be expressed not in percent, but in multiples;
- all vast mineral, fuel, and other natural resources, including agricultural raw materials, should be utilized in a maximally thought out manner and only in the interest of the entire nation. Under no circumstance should a repetition of past years' mistakes be allowed. A firm barrier must be placed against the predatory squandering of national wealth, which should serve not only our generation, but also subsequent generations, and be a reliable basis for the republic's economic and political sovereignty;
- primary attention in production development should be concentrated on the maximum possible advance of base sectors, which have the best prospects for winning an appropriate place on Union and world markets and can become powerful levers for bringing the republic's entire economy to a qualitatively new level;
- decisive measures should be taken to enhance the overall nature of the republic's economic development and to increase the output of products, which can be successfully produced in our republic, but are imported at present. A fundamental breakthrough in the matter of drawing vast secondary resources and production waste [into industry] will have to be attained. Elimination of the lag in the social sphere and improvement in people's living, working, and rest conditions will be inseparable parts of the overall development;
- restructuring Uzbekistan's mutual relations with other republics and the center, which envisages primarily the protection of Uzbekistan's state and economic sovereignty, ensuring of an independent and efficient utilization by the republic of land, mineral-raw material, and other natural resources located on its territory and of the created scientific-technical and production potential, and establishment of an equitable and equivalent interrepublic exchange and of equitable relations within the USSR on the basis of the new Union Treaty;
- development of the republic's foreign economic relations in accordance with the principles of its sovereignty and establishment of mutually advantageous

relations with foreign partners. The republic firmly intends to use its sovereign rights for an independent entry into the world market. Much attention will be paid to an accelerated establishment of joint enterprises and to efficient cooperation with foreign partners.

The attainment of these goals, especially during the difficult transitional period of entry into market relations, is realistically possible only with an unconditional unity of the people and lofty realization by citizens that together they can achieve an improvement in their lives. Therefore, the consolidation of citizens, mutual respect for all the nations and nationalities inhabiting the republic, and revival and development of humanistic and moral traditions and principles of Uzbek and other people in our republic, which have proven their value historically, become the condition necessary for the formation of market relations.

The realization in the republic of exceptionally complex measures concerning the entry into a market economy, which affect the life of every person, requires a consistent and weighed approach and consideration of the characteristics and specific features of every separate stage in this process. Our firm belief is that neither excessive sluggishness, nor reckless running ahead, is admissible here. **The republic will form market relations only in accordance with its own capabilities and conditions. The transition to the next stage in this endeavor will be accomplished only after a full realization of the preceding stage.**

A reliable system of state social protection for the population, especially its vulnerable and poor strata, and a package of measures to ensure their living wages and a guaranteed provision with basic food products and necessities should become the first steps. A system of measures for improvement in finances and the monetary turnover, normalization of the consumer market, stimulation of production growth, and an accelerated development of the social sphere should be carried out at the next stage.

The process of forming a mixed economy, reviving production forms and relations widely practised during the recent past, and creating extensive conditions for obtaining additional funds on the basis of conscientious and honest labor will begin during this period.

Work on forming modern, new structures—concerns, associations, and so forth—will continue. Commodity stocks, commercial banks, and other links of the market infrastructure will develop widely.

As the market is saturated with products for production and technical purposes and consumer goods and production and economic interrelations are strengthened, direct regulation on the part of state bodies will be replaced with levers of financial and credit policy and other economic management methods.

Ensuring social protection for man will remain in the center of attention of state bodies and the republic's entire public at all the stages of implementation of measures concerning the entry into market relations and market formation.

#### **Uzbekistan in the Renewed Union of Sovereign States**

We support the renewed Union of sovereign states, which will make it possible to stop the process of uncontrolled disintegration of interregional economic relations and to give a qualitatively different basis to economic integration mechanisms—voluntary participation and consideration of the interests of all republics.

Ensuring the well-being of all nations and a harmonious development of all republics and regions by changing over to market relations and ensuring the economic integration of republics based not on coercion, but exclusively on mutual interest and equal partnership, should be the goal of such a union.

Purposeful work on equalizing the starting conditions of transition of republics and regions to market relations should become an indispensable condition for ensuring a true equality of union members. The regional development fund, social and national economic programs, and new structural and investment policy, which are financed from all-Union sources, should become the tools of implementation of such a policy.

The solution of Uzbekistan's urgent social problems, equalization of the republic's socioeconomic conditions, and realization of the statewide Aral Program and other interregional programs will require capital investments from the Union budget.

The ecological disaster, which encompasses the vast region adjacent to the Aral Sea, has been tragically reflected in the fates and health of millions of people who live here and has led to the most severe economic consequences. Therefore, the calamity in the Aral region exceeds the republic's limits and without the participation of the entire Union community it is virtually impossible to solve the problem of reanimating the population's socioeconomic situation and overcoming the potential loss of the Aral.

#### **Restructuring of Property Relations**

Provision is made for making profound transformations in property relations, without which it will be impossible to ensure the republic's regional sovereignty, independence of cost-accounting enterprises, and, ultimately, acceleration of Uzbek SSR social and economic development. Taking into consideration the fact that these processes will bring about serious changes in economic relations, in the population's social structure, and in the income and property situation of its various strata, a stage-by-stage transition to a diversity of property forms will be made in order to avoid an aggravation of economic disproportions and social tension.

Legal norms affirming the republic's ownership of natural resources, property and monetary assets, and objects of historical and cultural property of its people will have to be developed and adopted. Along with this forms and conditions of the republic's mutual relations with the Union are established with due regard for the functioning of Union enterprises on the region's territory.

Simultaneously with the process of converting large state enterprises and organizations in republic and municipal ownership into joint-stock ones, the process of transferring enterprises of Union subordination, first of all, those that actively utilize the republic's resources and work primarily for the republic market, into the republic's ownership will be carried out.

Denationalization of small enterprises, primarily in the service sphere, on the basis of leasing with the right of their buyout by labor collectives and sale to private individuals, as well as the institution of new collective and cooperative forms of developing entrepreneurship, will be carried out.

In agriculture, with due regard for the importance of irrigated farming, basic transformations of property forms are connected with the revival of the cooperative content of ownership, disposal, and use of kolkhoz property.

Our firm position is that neither the republic's modern socioeconomic conditions, nor its historical traditions, make it possible to raise the question of the introduction of private land ownership.

At the same time, private subsidiary peasant farms, for which all the conditions for unification into associations of individual producers are created, will develop under conditions of leasing, including with the right of inheritance, and of allocation of private plots for every person who wishes and has the ability to cultivate land.

Incentives will be provided for small business activity and for the establishment of associations of lessees, cooperative workers, and private entrepreneurs for the purpose of increasing the competitiveness of their products, accelerating scientific and technical progress, saturating the market with goods, and solving social problems.

Historical experience shows that shops of handicraft workers, of artel members, and of producer cooperatives in operation during the recent past—virtually every neighborhood and village had shoemakers, bakers, glass makers, confectioners, and other experts and skilled craftsmen—were liquidated without any justification.

The revival of these traditions and the restoration and development of folk handicrafts and art industries under conditions of entry into market relations will make it possible not only to give back to the people their national

culture and traditions, but also to create the prerequisites for increased employment, improvement in the financial position of families, and manifestation of initiative and enterprise.

Taking into consideration the working conditions of small and individual entrepreneurs, legislative guarantees and financial privileges creating the basis for their normal activity should be provided for.

### Denationalization and Privatization

At the stage of development of market relations the privatization of enterprises is envisaged with the observance of the main condition: Basic types of national wealth will remain in exclusive Uzbek SSR state ownership, which is determined by the requirements for the observance of public interests. They include land, forests, mineral and other natural resources, property, and financial assets, which ensure the realization of state economic and social guarantees, safety and maintenance of public order, and fulfillment of state management functions, as well as Uzbekistan's cultural and historical values (architecture and other cultural monuments, museum collections, and so forth).

The privatization process is to be carried out exclusively in the interest of labor collectives on the basis of stage-by-stage approval of this process as exemplified by small and medium-size enterprises.

Denationalization and privatization are to be carried out in accordance with republic legislation with the observance of the following basic principles:

- extensive public control on the part of all population strata, glasnost in the implementation of privatization, and declaration of income during the purchase of property for collective and private ownership;
- voluntary buyout and leasing of state property on the part of labor collectives and various legal entities and citizens;
- ensuring priority in the purchase of an enterprise's shares or property, as well as during its leasing, for the labor collective that has manifested initiative in denationalization;
- ensuring interest and initiative on the part of republic and local bodies in the implementation of the denationalization and privatization process;
- division of management and property functions;
- orientation toward the elimination of monopolies.

Under Uzbek SSR regional conditions, taking into consideration that its production potential is characterized by an extremely nonuniform structure both in terms of the specific nature of sectors and industries, as well as sizes of enterprises, and of the technical condition of capital and its territorial distribution, various approaches to denationalization and privatization are needed.

The practical realization of these approaches to the denationalization process will occur in the following forms:

- leasing of enterprises, primarily small ones, and other state property (including with the right of a subsequent buyout);
- free transfer or sale on favorable terms of unprofitable, obsolete, and worn out enterprises and production facilities;
- transformation of state enterprises into joint-stock companies with the sale of shares to Soviet and foreign legal entities and citizens.

The selection of specific ways and forms of denationalization and its scale will be determined on the republic's territory by the property owner—the Uzbek SSR and local soviets.

#### **State Mechanism of Social Protection for the Population**

In the republic problems of social protection for the population during the transition of the national economy to market relations are studied with special attention. In order to soften the negative social consequences of this period in the maximum possible way and avoid a sharp decline in the people's living standard with due regard for the republic's regional, demographic, and socio-economic conditions, the mechanism of the state social protection system will be made up of the following basic components:

- benefits, advantages, and allowances for poor and socially vulnerable population strata;
- social state guarantees in the area of pension security and payments of grants to students and allowances to low-income and large families;
- benefits connected with working and living conditions;
- indexing of prices and income for the purpose of maintaining the population's nominal income;
- state assistance to the population that has lost jobs temporarily in the form of giving it the opportunity to acquire new occupations and employing it in public works, as well as in the form of unemployment benefits;
- guaranteed rights to work, rest, housing, and free education and medical services for the republic's entire population;
- freedom of economic activity and entrepreneurship for the entire population with a guaranteed right to receive differentiated minimum wages depending on skills under all property forms and regardless of the results of economic activity.

Four basic population groups in need of direct state social assistance are singled out in the republic:

- children under the age of 16, who make up about 40 percent of the total population, represent the largest group;

- nonworking pensioners and disabled persons (more than 2 million people) and about 100,000 people—older-age dependents—represent the group second in size and significance;
- mothers with many children, for whom bringing up a healthy and full-blooded generation is the main goal and meaning of life, should be included in the third group—more than 430,000 people;
- about 500,000 students at higher educational institutions, *tekhnikums*, and day vocational and technical schools belong to the fourth group.

Policy with respect to these four population groups will determine the key directions in the republic's general social policy concerning the development of a mechanism of state social protection under conditions of a market economy.

Purposeful work on the practical realization of protection for socially vulnerable population strata is now carried out in the republic.

A number of decisions by the republic's president and government on improving the social position of workers in public health, social security, education, and culture have been adopted. Allowances for mothers with many children have been increased and additional benefits for participants in and disabled persons of the Great Patriotic War, internationalist soldiers, and families of fallen servicemen have been introduced.

Scholarships for students at higher educational institutions, secondary specialized educational institutions, and vocational and technical schools have been increased as of 1 September 1990.

Within the framework of implementation of the republic's general social policy and for the purpose of preserving the living standard of poor population strata under conditions of the transition to a market plans are made for the realization of measures to provide food, medical, and other assistance to children, nonworking pensioners, disabled persons, and dependents of nonable bodied age, who live in families with a minimum average per-capita income level.

In order to carry out these measures, plans are made to establish special services in localities and to organize public commissions for providing assistance to socially vulnerable population strata.

The realization of social assistance to the population is planned through the creation of a state mechanism and adoption of appropriate republic laws, for which the development and approval of the minimum consumer budget will become the initial base. In the republic it will represent the minimum limit of funds necessary for normal existence and guarantee the satisfaction of priority needs for food, clothing, housing, medical services, education, and the spiritual sphere.

Granting privileges during the allocation of loans for individual housing construction and for the purchase of livestock, goods for cultural and everyday purposes, and household durables (except for transport facilities for individual use, jewelry, and others) will be of great importance for providing assistance to poor people.



During the transition to a market state social programs for assistance to large families, families with children, and the poor population will be developed and realized in the republic. The satisfaction of vitally important needs of the least protected population strata for food, housing, and medical services will be ensured through these programs. Special services, which are to be established at the local level, as well as public, charitable, and religious organizations, will provide much assistance in the realization of these programs. Special statistical bodies engaged in the assessment and analysis of social processes, primarily in the dynamics of inadequate provision, of the number of the unemployed, of prices, of real wages, of the population's income, and so forth will hold a special place in the realization of social programs under conditions of a market economy.

The development and realization of goal-oriented social programs will require additional funds, which dictates the need for a careful selection of priorities during the organization of their preparation. Special programs for assistance to poor and badly-off population groups, which include measures to provide them with food products on the basis of coupon distribution and, when needed, of a physical issue of necessities as well, will be the most important at the first stages of realization of this reform.

Programs aimed at helping large families, which is most important under the republic's conditions, should occupy a special place. A number of measures in this direction have already been adopted. This concerns primarily an increase in allowances for mothers with many children, extension of paid leaves for the care of children, and a number of others. The realization of the program for social development of rural areas, which includes a package of organizational, economic, and technical measures for improving the rural population's living standard, has begun.

Thus, the establishment of a mechanism of social guarantees for the population, especially its least protected strata, should become the key issue in improving the situation for the transitional period. Speaking concretely, the suspension of social programs already announced in Uzbekistan and the further decline in the living standard would mean dooming almost one-half of the population to virtually intolerable conditions and the people's legitimate indignation. Therefore, the republic insists on strengthening social support for the poorest population strata as the decisive condition for systematically implementing the entire program for the transition to a market that is being prepared in Union bodies.

#### **The Population's Employment**

The effectiveness of introduction of market relations into Uzbekistan's economy is directly connected with and depends on how it will be possible to develop a mechanism and appropriate legislative acts ensuring the realization of every person's right to conscientious labor, freedom of movement, choice of the place of labor

application, forms of property, regimes of labor, and occupation and creating the prerequisites for a fuller and more efficient utilization of the republic's labor potential.

High rates of growth of the population and labor resources will also remain during forthcoming years, in connection with which steps will be taken to provide workplaces both for those presently unemployed and entering the able-bodied age and those released from national economic sectors under the effect of introduction of elements of the market mechanism.

Calculations show that without the adoption of special measures the number of the unemployed can increase significantly in Uzbekistan during the transitional period.

In order to solve the problem of the labor-bodied population's unemployment, plans are made to realize a package of measures of a legal, economic, and organizational nature. The Uzbek SSR Law on the Population's Employment, which affirms state guarantees for the realization of citizens' rights to choose the type of employment and to get a job or vocational retraining, as well as the social and legal status of the unemployed person and the conditions and amounts of payment of an appropriate allowance to him, is taken as the basic document.

The State Republic "Employment" Program, which determines long-term directions in increasing the population's employment and personnel training and retraining with due regard for the development of productive forces, is an integral part of the measures worked out. The establishment of a unified state employment service in all the republic's cities and rayons is envisaged as organizational measures. This service will be entrusted with all matters concerning citizens' protection against unemployment, including vocational guidance, retraining of released manpower, placing it in jobs, and computation of unemployment benefits.

Within the framework of solving the unemployment problem and restructuring the republic's national economy a dual task will have to be accomplished:

- to establish a wide network of small compact enterprises at a modern technical level with flexible production quickly reacting to market conditions and producing competitive products, which the republic needs;
- to organize the training of top-level specialists capable of working at these enterprises and managing them, for which all the possibilities of personnel training both in the republic and in the leading centers of the country and abroad should be put into effect.

The employment program will give special attention to problems of improving the organization of vocational training of young people, refining the structure of personnel training, and bringing it into conformity with the needs of national economic sectors for highly skilled

workers and specialists, which will make it possible to significantly accelerate the process and efficiency of introduction of a market economy.

It is fundamental that, in contrast to previous periods, types of socially useful employment have been expanded significantly. They include the following:

- work under full- or part-time conditions at all types of enterprises, institutions, and organizations;
- citizens' work at joint enterprises and in international and foreign organizations in the Uzbek SSR and work abroad;
- service in the USSR Armed Forces, in frontier, internal, and railroad troops, and in bodies of state security and internal affairs;
- individual labor activity;
- work on an individual peasant farm;
- work on a private subsidiary plot;
- vocational training, retraining, and improvement in skills on a full-time basis;
- full-time training in general educational schools, vocational-technical, secondary specialized and higher educational institutions, and other types of full-time training;
- employment in public organizations and religious institutions carrying out their activity in accordance with Uzbek SSR laws.

Among the noted measures for social protection against unemployment the payment of temporary unemployment benefits with a differentiation of its amounts is one of the main measures.

For this purpose the problem of organizing a republic fund for vocational guidance and assistance for the unemployed population from payments from the profit of enterprises, organizations, and cooperatives, regardless of property and management forms, from funds of the employment service and for providing paid services to enterprises and organizations, from voluntary contributions by Soviet and foreign enterprises, public organizations, citizens, and from other earnings is being worked out.

The republic has already embarked on the development and realization of a plan of actions, which proceeds from the realities of the political and economic situation in Uzbekistan and is aimed at unconditionally ensuring social protection for the population, especially its poorest strata.

Purposeful measures to develop private subsidiary plots and to transfer a wide range of enterprises, organizations, and farms to cooperative, leasing, and other forms of property, for example, through the establishment of rayon producer combines, which, at the same time, contributes to a reduction in unemployment and to an increase in employment, have been carried out in the republic for more than one year.

Today it is already evident that in many respects, owing to all these measures and to the intensification of

requirements for the observance of production and labor discipline, the republic has succeeded in avoiding a sharp economic decline characteristic of many regions during the current year and in attaining a certain growth of production volumes in industry, agriculture, and the output of consumer goods.

#### Finances and Credit

In our opinion, the implementation of financial and credit policy, proceeding from the task of balancing the republic's state budget, and its formation should be carried out with due regard for the following fundamental changes:

- for the transitional period, as a temporary measure, the share of the turnover tax entered in the budget is differentiated on the basis of the ratio formed in recent years with due regard for new factors;
- deductions from the profit in accordance with the rate approved by law for all enterprises irrespective of departmental subordination should be included in the republic's budget;
- about 40 percent of the produced raw-material resources are left for a free sale in the republic and the turnover tax is taken into account in their contract sales price.

The 1991 draft budget for the first time plans revenues from the denationalization of property and, as a source of financing noncentralized capital investments, envisages funds from the sale of incomplete construction and above-normative stocks of commodities and uninstalled equipment, as well as an active use of the remainders of funds for production and social development.

For the purpose of realizing an independent financial policy, a financial market is formed. An active commercial use of temporarily available financial resources of enterprises for the purpose of realizing the tasks of economic and social development will be its economic basis. The use of various types of securities, shares, treasury and other bonds, and commercial promissory notes is planned.

#### Uzbekistan's Relations With Other Republics

Under conditions of the establishment of the republic's sovereignty and transition to a market Uzbekistan's relations with other republics and the Union are being transformed completely.

In the course of development of the new Union Treaty it seems advisable to delegate to the Union a certain range of powers connected with ensuring the integrity and independence of the state while strengthening the republic's economic and political independence. At the same time, it is important to prevent the federation's breakup and mutually advantageous economic relations and to form a vital all-Union market, at which all the Union republics will be able to act as equal and sovereign partners.

The following are planned among the Union's economic prerogatives and functions:

- creation of economic conditions for maintaining the Union's defensive capacity and ensuring state security and the fight against organized crime;
- elaboration of long-term forecasts of the country's economic and social development and formation and realization of major national economic programs of all-Union significance;
- realization of a coordinated credit-monetary and currency policy aimed at strengthening the purchasing power of the ruble;
- banning restrictions on the movement of monetary resources inside the Union;
- development and introduction of uniform customs rules ensuring protection for the all-Union market; banning the use of quotas, restrictions, or customs barriers against the movement of a coordinated list of goods inside the Union;
- coordination on an all-Union scale of prices of key raw materials, products, goods, and services, the range of which is voluntarily placed by subjects under the Union's authority;
- development of a strategy of foreign economic policy; formation and use of the all-Union currency fund and fulfillment of USSR obligations to the international community;
- development and implementation of measures of all-Union significance for ensuring the population's ecological safety;
- development and implementation of measures of all-Union significance for realizing the policy in the sphere of social protection and provision for citizens and establishing an unemployment benefit fund;
- equalization of regional development levels and establishment of principles concerning the organization and functioning of the all-Union market; not to permit an economic and social lag of more than 25 percent on the part of the Union's individual subjects behind the average Union level;
- organization of unified patent and metrological services and of a unified time, weights, and measures service, establishment of all-Union and introduction of international standards, and organization of all-Union statistics and of a unified accounting system;
- management of spheres of activity and goal-oriented programs, which in their nature require a unified direction on the Union scale, that is:

- most important basic research;
- defense programs;
- unified power system;
- main railroad and pipeline transport;
- atomic power engineering;
- space systems and research;

- all-Union system of communication, information, and information science;
- state all-Union system for warning and action in extraordinary circumstances;
- determination of USSR foreign policy, conclusion of USSR international treaties, and USSR representation in international relations;
- in coordination with the Union republics granting of state loans and economic assistance to foreign states from Union budget funds and conclusion of agreements on state loans and credits received by the USSR from foreign sources;
- protection of the sovereignty and territorial integrity of the Union of sovereign republics, organization of defense, and direction of the Armed Forces, the USSR intelligence service, and USSR frontier forces. The management of railroad troops and coordination of internal troops and of the customs service is carried out jointly with the Union republics and in coordination with them;
- resolution of disputes among the Union republics if they address especially authorized USSR bodies about this matter;
- establishment of principles concerning the maintenance of public order.

The sphere of joint authority of the USSR and the Union republics should include the establishment of basic principles of civil, economic, land, forest, water, mining, criminal, corrective labor, financial, and labor legislation and of legislation on social and pension security, public associations of citizens, the judicial system and proceedings, education, and public health.

In the realization of its economic sovereignty the Uzbek SSR on its territory pursues a completely independent policy in the use and disposal of its gold, silver, and other noble and nonferrous metal ore deposits, as well as of the products produced on their basis in the Uzbek SSR.

A question arises in connection with the fact that gold prices are set on the basis of world and Union prices. A certain part of the gold mined in the Uzbek SSR is used by the republic for the manufacture of jewelry and is reimbursed to the republic in the form of a freely convertible currency.

The proportion of the Union state stock in the lint cotton produced in the republic with its subsequent reduction and transition to an independent sale at free prices should be determined. In exchange for the delivery of the republic's basic product—lint cotton—according to the state order the delivery of meat, dairy products, sugar, and other goods on a parity basis to the republic should be guaranteed.

It is necessary to dwell especially on the problem of funds for reclamation and other operations in the area of

water resources. In all civilized countries irrigated farming is maintained by the federal budget. This situation is especially important, because cotton growing, silkworm breeding, and other key sectors of Uzbekistan's agriculture are of a pronounced all-Union nature.

### Foreign Economic Policy

A significant intensification of the republic's role in the international division of labor and in the development of direct foreign economic relations with foreign states presupposes the implementation by the republic of an independent strategy of foreign economic policy, which includes the following:

- demonopolization of import earnings for light, food, and local industries, machine building, chemistry, and nonferrous metallurgy and establishment of foundations for the industrial export base;
- development of the infrastructure of tourism;
- establishment of joint enterprises, primarily in light and food sectors, machine building, trade, and the service sphere;
- establishment of free enterprise zones;
- transition from the export of raw materials to the export of finished industrial goods and products of intensive processing.

An independent "Foreign Market" Program is being developed for the realization of these strategic goals. The following are the basic blocks and sections of this program:

- change in the structure of bodies for the management of Uzbek SSR foreign economic relations;
- determination of priority directions in foreign economic activity;
- optimum siting of joint enterprises;
- development of international tourism;
- development of the currency self-financing mechanism;
- personnel training and retraining;
- opening of Uzbekistan's foreign economic representative offices in foreign countries;
- determination of priority regions of foreign countries for cooperation.

It is envisaged that in foreign economic activity the Uzbek SSR independently enters into relations with foreign states, concludes contracts with them, including on mutual protection of investments, exchanges trade and consular delegations, independently participates in the activity of international economic organizations, establishes the principles of customs proceedings and of customs fees and duties on the customs territory of the Uzbek SSR, carries out credit and financial operations with foreign states, including independently grants and receives loans and assistance, engages in proximal border trade, registers joint enterprises with the participation of foreign firms and international enterprises and organizations, forms and uses the republic currency fund, licenses and regulates the quantities of export and import products, establishes the list of declared goods

and other property transferred across the Uzbek SSR border, carries out the insurance of foreign economic activity, and establishes currency and securities exchanges.

A number of the most important of the indicated directions have already been realized. For example, in the republic the structure of foreign economic relations has been reorganized and the Uzbek SSR State Committee for Foreign Economic Relations, the Uzbek Foreign Economic Bank, and other organizations have been formed. Their goal is to ensure the republic's complete economic independence in foreign economic relations and a link-up of the intraeconomic mechanism and the world market mechanism.

In foreign economic activity priority directions will be given in processing sectors of the agro-industrial complex, in the development of proximal border trade, in the development of regional recreational resources, of the construction industry, and of the social sphere, in science-intensive sectors, in the establishment of a unified system of transport and dispatch services, and so forth.

For the purpose of an accelerated development of the republic's foreign economic relations it is envisaged improving the banking and monetary-credit system. Presently existing banks do not ensure the current financing of foreign economic operations and the accumulation and distribution of the republic's currency funds. Therefore, the establishment of a network of commercial banks with the right to open currency accounts is proposed.

Along with this the following is planned:

- completion of the establishment of a customs network in the republic and of foreign economic statistics based on customs data;
- establishment of an association (firm) on a commercial basis for providing information, marketing, and transport and dispatch services, as well as of insurance and advertising companies servicing foreign relations;
- construction in the city of Tashkent of an international trade center with the accreditation of representative offices of firms in it, as well as of an exhibition complex for international fairs for the sale of goods produced in the republic;
- development of a plan for and establishment of free economic zones in the republic;
- expansion of the practice of establishing joint enterprises with foreign firms, especially in the area of labor intensive sectors, production of consumer goods, and processing of the raw materials and resources produced in the Uzbek SSR into finished products.

Provision is made for a reduction in the export of raw material goods and their assignment for developing and ensuring the operation of joint enterprises engaged in the output of food products, consumer goods, drugs, medical equipment, and so forth. At the same time, taking into



account the important role of currency earnings for the republic, the possibility of using part of the mineral and agricultural raw materials as export goods at the initial stage is not ruled out.

An important role is assigned to training personnel for foreign trade and foreign relations. The establishment in the republic of a network of educational institutions (lyceums, *tekhnikums*, higher educational institutions, institutes for improvement in skills, and commercial schools) for training and retraining specialists in the area of foreign relations, management, marketing, advertising, banking, and foreign languages is envisaged. Plans are made to establish permanent relations with similar institutions abroad for sending personnel from the republic for study and fieldwork. This work will be financed both by enterprises and organizations (on a commercial basis) and from the republic's state budget.

#### **On Priority Measures To Conclude the Current Year and To Form Parameters of the Republic's Socioeconomic Development in 1991**

The concluding period of this year and 1991 will be of vitally great importance for the country and the republic. If the deterioration of the situation in the economy continues at present rates, many regions may simply not live to see a market. Without further delays it is necessary to work out coordinated approaches to the country's socioeconomic development in 1991 and to take practical steps to preserve and strengthen existing production and economic relations, as well as channels and forms of material and technical supply and sale of products.

Our specific proposals on ensuring the country's economic and social development in 1991 submitted to Union bodies come down to the following:

- jointly with the Union republics during a short period to develop measures aimed at stabilizing and increasing production volumes in leading national economic complexes, paying special attention to strengthening incentives for the growth of products in demand;
- during the shortest period, with the participation of the Union republics, to work out the volumes of mutual deliveries of basic foodstuffs, raw materials, and products, keeping in mind the preservation, as a rule, of the current year's level;
- to finally determine, with the participation of the Union republics, the procedure of formation and parameters of the 1991 budget with due regard for the equalization of starting conditions of individual regions and republics.

Right now it is necessary to determine how to ensure mutual production and economic relations for the following year and what share should the satisfaction of all-Union needs and the free exchange of raw materials and products occupy in them. On our part we are ready to support the proposals on basically preserving the volumes of mutual deliveries at the current year's level. To be sure, problems of formation of republic budgets

and limits and sources of capital investments, especially in sectors of the agro-industrial complex, should also be examined.

The republic will persistently and systematically solve these problems in the process of preparing the new Union Treaty and the program for the transition to market relations and drawing up the plan and the budget for next year.

At the same time, every resident of our republic should clearly understand that a stable situation and the preservation of normal living conditions for each of us are determined to a vast extent by our present efforts. At all costs we should successfully complete the gathering of a fairly good harvest of cotton and other agricultural crops, ensure a qualitative storage of food for winter, and make all-around preparations for winter. During the remaining period of the year it is important to prevent a decline in the production growth indicators that have been attained and to make a good start for confident work from the very beginning of next year.

The republic's people should know that during the transition to market relations the forms, methods, and periods of implementation of transformations will be determined on the basis of Uzbekistan's interests and conditions.

The practical realization of basic directions in the stabilization of Uzbekistan's national economy and entry into a market economy presupposes an extensive and active participation of various public movements in creative work and consolidation of all healthy forces along the path of attainment of genuine political and economic sovereignty, social protection for the republic's population, and its spiritual and moral rebirth. It is necessary to ensure a stable moral and psychological situation in the republic and an atmosphere of national consent and mutual respect.

We ask that proposals and remarks be sent to the Uzbek SSR Council of Ministers, as well as telephoned to 39-81-56 and 39-87-12.

#### **Estonian Aide on Union Subordination Enterprises**

914A0175A Tallinn SOVETSKAYA ESTONIYA  
in Russian 14 Nov 90 p 2

[Interview with Sergey Petrovich Trifonov by Yaroslav Tolstikov: "Where Are You Going, Union Factory?"]

[Text] The fate of union-subordinated enterprises is a concern today to many, and not only those who work in them, naturally. And the concern is not without purpose. We would remind you that on 7 February 1990 the leaders of the governments of the USSR, Lithuania, Latvia, and Estonia passed a quadripartite resolution: "On Urgent Measures for Implementing the USSR Law on the Economic Independence of the LSSR, LaSSR, and ESSR in 1990." According to this document,\* out of a total of 170

units, the 40 union-subordinated enterprises located on the territory of Estonia must be transferred from all-union property to the property of the Estonian Republic (then, the ESSR) by 1 March 1990.

These include such major enterprises as Ilmarine, Tall-eks, Eesti Kaabel, Vyrupribor, Vyyt, Estlesprom, and Estonfosforit. The fate of many others—for example, Volt, the Tallinn machine-building plant Elektrotekh-nika, and RET—was to be resolved, as indicated in the quadripartite resolution, at the next stage of the transition. At that time, in February 1990, the process of implementing the "resolution of the four" began, only to be brought to a halt shortly thereafter. As we know, on 8 May of this year the republic's Supreme Soviet passed a resolution: "On the State Status of Estonia," and on 16 May a law: "On Foundations for Temporary Procedures for the Administration of Estonia." Both these legislative acts were pronounced ineffective by decrees of the president of the USSR published soon after. At the same time the union ministries began issuing instructions to stop all negotiations on transferring enterprises from union to republic property.

Today one major association has been transferred to the conduct of the republic: the Estlesprom concern (which, it is true, comprises several enterprises of the lumber-processing branch) and nine small enterprises, organizations, and institutions. Not a single union enterprise with a machine tool-building profile has yet been transferred to the property of the republic.

But this is prehistory. Albeit very important, however, for our further narrative, which we are continuing in our conversation with the head of the industrial department of the ER (Estonian Republic) Ministry of Economics, Sergey Petrovich Trifonov. Sergey Petrovich was at the wellsprings of the 7 February resolution, and one of the tasks of his department today is renewing the republic's economic integrity.

"The situation that has come about with the union-subordinated enterprises in our republic," says S. Trifonov, "has much in common with the situation in Lithuania and Latvia. The government of the Estonian Republic, as we know, has deemed the actions of the USSR Council of Ministers targeted at creating in Estonia an association of state union enterprises under the name 'Integral' to be interference in the affairs of a sovereign republic that might do harm to the labor collectives of the enterprises named.

"In the final analysis, one could say that the idea of creating Integral in Estonia failed. Today, though, an attempt is being made to create a new kind of association—which, obviously, we will still have to discuss. But for now turn your attention to the two resolutions of the USSR Council of Ministers passed on 19 and 23 October of this year. The former is on the transformation of state union enterprises, associations, and organizations located on the territory of the Latvian SSR (and that is exactly how it is put—the Latvian SSR) into joint-stock

companies. And the latter is an analogous one for the Lithuanian Republic. I mention this at the very start of our conversation because it is inevitable, I think, for an understanding of the essence of what is going on, not only in Lithuania and Latvia, of course, but in Estonia as well. Although there is no such resolution for the Estonian Republic. At least, not yet.

"So that, from the press we know how sharply the government leaders of Latvia and Lithuania reacted to these resolutions of the USSR Council of Ministers. I will cite as an example the statement of Kazimera Prunskiene\*\*": "The 23 October resolution of the USSR Council of Ministers . . . contradicts the laws of the Lithuanian Republic and represents an attempt to interfere in the affairs of Lithuania. The government of the republic proclaims that the responsibility for any possible consequences of implementing the resolution rests with the USSR Council of Ministers. The Lithuanian government does not intend to compensate for any losses for the acquisition of shares and is not responsible for any possible complications involved in integrating these enterprises into the economic and social sphere of Lithuania. . . ." And so on."

[SOVETSKAYA ESTONIYA] It's still not completely clear what all this is about.

[Trifonov] For clarity let's take the USSR Council of Ministers resolution on Latvia—I have it right here. It talks, in particular, about the transformation of union enterprises into joint-stock companies with the transfer to labor collectives of 51 percent of the all-union property. The union delegates the administration of the remaining portion of this property to the association of enterprises. It also provides for selling these shares to members of the labor collectives under advantageous conditions. The situation is analogous with the transformation of union enterprises located on the territory of Lithuania as well.

[SOVETSKAYA ESTONIYA] So that the union, although it won't own a controlling package of shares, will in fact continue to run those kinds of enterprises located on the territory of another state. After all 51 percent of the shares will be scattered among many owners, some of whom will probably take up the union side.

[Trifonov] I would make it more precise: the essence of the creation of this kind of association is to strengthen the property of one state on the territory of another.

[SOVETSKAYA ESTONIYA] But after all, neither Lithuania nor Latvia nor even Estonia has seceded from the union. They are working to achieve statehood, but they have not yet been able to do so.

[Trifonov] Nevertheless, the laws passed here, in the Baltic, and in our republic especially, assume that sooner or later the republic will become a politically independent state. Integral appeared as a crude attempt to strengthen property for the union, and now the measures

undertaken by the union government, obviously with the aid of local activists, have become more precise. But their essence is the same. Above all, though, it is worth giving some thought to how realistic it is in general for a labor collective to purchase half the value of even a medium-sized enterprise.

[SOVETSKAYA ESTONIYA] For example, the Tallinn machine-building factory.

[Trifonov] For example. The value of its basic funds has been appraised at approximately 30 million rubles; 50 percent at 15 million. Divide that by 2000 workers and we get each one having to contribute an average of at least 7000 rubles for his shares. Utterly unrealistic! But this, as I have already said, is only one aspect of the matter. It is by no means accidental that the Estonian Republic government's concept: "On the General Foundations for Privatization"\*\*\* and I quote: "Large discounts may not be offered to workers during the privatization of their enterprises, since that would create for the workers of the indicated enterprise economically unfounded privileges compared with other categories of the population." And later: "It is deemed logical to set an upper limit for the number of shares to be sold to its workers, since the concentration of a large number of shares in the hands of contractors (as opposed to entrepreneurs) decreases the enterprise's possibility of making the transition to market economy principles." Maybe it's put somewhat clumsily, but the idea is that the fate of the enterprise and its workers depends to a large degree on the rights and privileges of the entrepreneur, and not the contractor, that is, the worker or employee, even if he does possess a certain number of shares. Priority in acquiring shares must be given to whatever person or group of people can propose the best program for economic activity.

[SOVETSKAYA ESTONIYA] But say that despite these unquestionably healthy considerations, the collective creates a joint-stock company and, figuratively speaking, buys a controlling package of shares and seeks funds to do this. What might happen as a result?

[Trifonov] If the transformation of state union enterprises into joint-stock companies in Estonia goes according to the model proposed by the USSR Council of Ministers for Latvia and Lithuania, then, as there, here too the possibility of complete financial ruin for those very shareholders—holders of "all-union property"—cannot be excluded. As Ms. Prunskiene's statement puts unambiguously. In shifting over to the Estonian krona, the Bank of Estonia simply cannot undertake ruble shares toward reimbursement.

[SOVETSKAYA ESTONIYA] But what about this question, which is also being widely debated: What is the point in general of shifting all-union property located on the territory of the republic to the property of the republic? Let whatever factory it is remain the property

of the USSR, just so it pays its taxes to the republic diligently and observes the law of the country where it is located. Isn't that enough?

[Trifonov] No, it isn't enough. If the factory remains all-union property, it will be hard for the republic to influence the nature of its activities, to change its profile in the direction the republic itself needs. This doesn't mean, of course, that any enterprise that becomes republic property will immediately undergo reprofiling. Not at all. The **possibility** of doing so will appear. Reprofiting will happen only in the event that the economic preconditions for doing so arise. Naturally, the collective itself must not suffer in the process. Who's going to manage themselves into a loss!

[SOVETSKAYA ESTONIYA] But let's take again as a concrete example the Tallinn machine-building factory and its air conditioners, which are in steady demand in the union. It would probably be profitable for the republic to trade with the union, receiving some other output or even rubles for the air conditioners, since rubles are also in demand in Estonia.

[Trifonov] If the republic achieves independence, then more than likely the eventual appraisal of the value of any given output will be made in freely convertible currency. But if the machine-building factory could sell its output for dollars, would those same air conditioners be competitive on the world market? Hardly. More than likely the union would try to order analogous appliances somewhere in the West, in Sweden, for example. Both better and, it's not impossible: cheaper. What would you do with the Tallinn air conditioners then? Either bring them up to the world level, which would be far from simple, or reprofile the factory.

[SOVETSKAYA ESTONIYA] Several times we have mentioned the proposed transformation of union-subordinated factories in Latvia and Lithuania. But in our republic in place of Integral, which didn't happen, a plan is being discussed for a new association of state union factories. One of the founders of the new association, the director of the Baltiyets factory, V. Chetvergov, in an interview with our SOVETSKAYA ESTONIYA correspondent published on 18 September of this year, asserts, and I quote: "Our association is not modeled on Integral. . . . It is not going to become an extraterritorial formation on the land of Estonia directly channeled to Moscow. It is going to function within the framework of the losses of laws ER and interact with the republic government." And so on. How would you comment on this statement?

[Trifonov] The words are well spoken. But I have before me the draft of the "Charter of the State Inter-Branch Association of Industrial Enterprises Located on the Territory of the Estonian SSR" (that's what it says—the ESSR). The draft was submitted recently by the directors of OSTK [Estonian United Council of Labor Collectives] to the republic's Ministry of Industry and Energy. Obviously, in setting forth his thoughts on "our association,"



V. Chetvergov was guided by the provisions of this very document. For comparison, however, let's set the draft: "Charter of the Integral Association" next to it. What is the difference between these two documents? Compare.

[SOVETSKAYA ESTONIYA] I'm reading the "general provisions" and further through the text, comparing. Absolutely identical. Only the title of the first document is missing the word "Integral" and to the 15 enterprise-founders of the "new" association a sixteenth has been added—the Pyarnuskiy factory Prodmash. Sergey Petrovich draws attention to the words from the "general provisions of the draft charter" (in both the text is identical): "The association is created for the purpose of achieving an operational resolution of issues with the USSR Council of Ministers on bringing the normative acts of the USSR Council of Ministers concerning the interests of enterprises belonging to the association and their workers into alignment with the changing legislation of the republic. . . . The association is guided in its activities by the current legislation of the USSR, ESSR, other normative acts, and the present Charter."

[Trifonov] Let's toss out the "ESSR" abbreviation. Enough of that already. More important, of course, is something else: the association, as follows from the text, is guided above all by the legislation of the USSR, that is, as we were saying early on in our conversation, by the laws of another state, and maybe both at once. And after this the founders hope that the government of the ER is going to confirm a charter like that?"

[SOVETSKAYA ESTONIYA] But this is still a draft charter. Maybe it will undergo more work.

[Trifonov] As of now we have no other document.

[SOVETSKAYA ESTONIYA] We began this story by mentioning the decrees of the president of the USSR proclaiming the corresponding normative acts passed in the republic in May ineffective. The opinion has come up that if Estonia hadn't opposed the center, hadn't changed its name, hadn't made any statements regarding a period of transition to state independence, then the 7 February "resolution of the four" could have been implemented in full.

[Trifonov] But after all no one ever rescinded the USSR law on the economic independence of the three Baltic republics passed by the Supreme Soviet on 27 November 1989. The president himself is powerless to rescind it. Nonetheless, implementation of the law was halted by decrees of the union ministries. There's no logic to it. "Decrees" like that are absolutely illegal! As for the May legislative acts passed in the republic, I would say, figuratively, that you'll never drink your fill from a closed bottle. First you have to remove the top. That is, the transition to a new quality always entails the destruction of something old and familiar but already outlived.

[SOVETSKAYA ESTONIYA] And still, what awaits the union enterprises in the near future?

[Trifonov] I hope that soon a law of the Estonian Republic will be passed on privatization and as a result of its implementation a significant portion of enterprises will be denationalized and joint-stock companies and leasing, small, and cooperative enterprises will begin to be created. And this process, as we know, has already begun. But the main thing is that the issue of the ownership of the current union enterprises must be resolved. All of them, with the exception of defense ones, which number very few in our republic, will sooner or later become the property of the republic.

Naturally, under these conditions, any of them may freely join both republic or interstate associations—assuming the strict observance by such of the laws of the Estonian Republic.

#### Footnotes

\*For a detailed account of it, see "Intergovernment Agreement Reached," SOVETSKAYA ESTONIYA, 28 February 1990.

\*\*See SOVETSKAYA ESTONIYA, 19 July 1990.

\*\*\*See SOVETSKAYA ESTONIYA, 5 October 1990.

#### Kazakh Chairman on Transition to Market Economy

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[Speech by Kazakh SSR Council of Ministers Chairman U. K. Karamanov: "On the Republic Government's Program for the Transition to a Market Economy"]

[Text] Honored comrade deputies!

The current session of the Supreme Soviet is being held right as the Kazakh SSR crosses the threshold of its seventieth anniversary. The establishment of a new holiday—Republic Day—is a symbol of our burgeoning state sovereignty.

At the same time, the date has been marked by great concern among the people for their republic's future. Although it possesses every objective possibility for ensuring the population a dignified standard of living, after the totalitarian regime's decades-long dominance the republic essentially remains a raw materials base for the country.

Today we have reached the brink when, while aware of our historical responsibility before the peoples of multinational Kazakhstan, we have no choice but to make the most fundamental decisions.

Although in many respects the republic is better off than the union as a whole, our economy has been dragged into the whirlpool of profound crisis that has gripped the country and has no chance of survival if the existing character of productive relations does not change in some fundamental way.



The pace of socioeconomic development, which displayed a slowing tendency in the last year, has already gone into decline. In the nine months of the current year the volume of industrial production fell as against last year's level by 0.4 percent, and 14 percent less housing was introduced.

Meat production and processing also declined somewhat. The disparity is growing between solvent demand and the volume of available goods, and both the scale of inflation and the goods shortage have increased. The geography for fixed goods distribution is being extended.

People speak with hurt about the stepped-up growth in speculation. More and more often workers encounter the machinations of shadow economy operators and blatantly mafiosa-like phenomena. The common man, who gives his utmost on the job but does not receive adequate pay in return, is indignant that some people can live in clover without working.

The severe lack of material and technical resources, the decline in existing economic ties, and the worsening of state and labor discipline are having a destructive effect on the economy. For 1991, contracts have been concluded for only half the total supply of consumer goods and industrial output.

The government of the republic as well as local soviets and economic organs have been taking measures to correct this situation. However, these measures are not having the necessary effect. The existing system's arsenal no longer contains the necessary levers to stem the growing influence of negative processes, to say nothing of raising the economy to a higher stage of development.

Qualitatively new and radical measures are needed to pull society out of the deep maelstrom of contradictions and upheavals and to clear the way to a highly effective economy and social progress. After a prolonged search for optimal variants for renewal and a painful path of trial, error, and mistakes, our society has come to a conscious choice—transition to the market.

It must be noted that in the last half-year since the moment we realized the correctness of this choice, the problem of the transition to market relations has gone beyond the framework of purely economic interests. It now concerns political, social, moral, and other aspects of societal development, occupying an increasingly broad spectrum of the mass consciousness.

In this time, extensive and multifaceted work has been done with respect to transposing theoretical and conceptual insights into a developed program of practical action and logically introducing market relations and mechanisms into all spheres of the republic's life.

Let me briefly remind you that this process has gone through several stages. In order to determine general approaches and tendencies and to study public opinion, in the middle of August of this year the republic's

Council of Ministers published a draft concept for the Kazakh SSR's transition to a market economy.

Simultaneously work was going on on compiling the program itself. Its initial version was worked out by the State Commission for Economic Reform in early September, and it reflected, if I can put it this way, an intrarepublic vision of the problem.

At the same time, as you well know, Kazakhstan's economy is integrated into all aspects of the country's economy. Breaking existing ties would be tantamount to consciously undermining our existence. The future lies in close collaboration among all republics on the basis of qualitatively new and mutually beneficial principles. An economic union of sovereign states that can become the basis for a unitary all-state market must be created on the ruins of the authoritarian regime.

In many ways our strategy will be determined by the fact that, to some extent, the principles that lie at the base of Kazakhstan's draft Declaration of Sovereignty will undergo further development in the country's system of government and by how the republic's relations with the center work out. This fundamentally important question must be examined for a limited set of political, economic, cultural, and other elements of statehood.

That is why, after the draft union programs for the country's transition to the market had been presented, a working commission to complete our draft was formed at the instruction of the president of the Kazakh SSR. Meanwhile its basic theses had been considered several times by the Council of Ministers and the committees of the Supreme Soviet, in sessions of the Kazakh SSR President's Council, and in the ministries, departments, and oblsipolkoms. They were also discussed with enterprise leaders in industry, construction, transport, trade, and domestic services, representatives of the working class, the peasantry and the intelligentsia, and social movements and organizations.

Virtually all the comments, additions, and proposals submitted to the Council of Ministers and the other republic organs were analyzed as well as published in the periodic press. All this made it possible to consider a broad spectrum of public opinion, to enrich the market transition path, and to apply several useful correctives to the program.

Thus, comrades, the program is not some armchair creation of a narrow group of apparatus workers, as some of our opponents might be inclined to think. It was born out of intense collective labor on the part of a large brigade of scholars and qualified specialists from literally all branches of the republic's economy.

I think that the people's deputies have had plenty of opportunity to study this document closely, so I'm not going to take up your time and attention expounding the program. Instead, I will try to reveal in greater depth its fundamental postulates as well as dwell on measures to ensure the program's implementation.

First of all, I would like to point out that the program is aimed at laying the groundwork for the republic's complex transition to the market and inaugurates the first and most important phase in the formation of a full-blooded market economy.

The program's purpose is to ensure the economy's entry into what is for all of us a qualitatively new economic milieu. It is precisely the novelty of the problem, as well as the impossibility of predicting with any real accuracy the future course of events under the perestroika of our spending [zatratnaya] economy and people's psychology, that have necessitated this type of approach.

In implementing the whole complex of outlined undertakings, the government considers the paramount tasks to be the maximum possible preservation of the pace of economic development during the transition period, preventing a sharp decline in the population's standard of living, and guaranteeing the social safety net, especially for people with low incomes.

We are convinced that daring and innovation must be closely combined with realism and regulation at every point in the program. These criteria have underpinned all the work that has gone into its formation. I consider it essential to inform the deputies that the deeper we penetrated the essence of market relations the more painstakingly each point of the document was substantiated. The stakes are too high, and granted the inevitability of delays and losses in the transition period, we still do not have the right to permit major miscalculations, which might bring the entire strategy for our future development to naught.

Therefore it is hard to agree with individual arguments about the pace of introducing market relations being artificially forced and the methods for denationalizing the economy being coercive. We know all too well what the policy of force led to during collectivization in the 1930s, during the elimination of citizens' second homes in the early 1960s, and other sad periods in our recent history. The government assumes that all these processes must follow their natural course, but with the obligatory creation of organizational, economic, and legal conditions that will stimulate the development and deepening of market relations to the maximum extent.

In the Kazakhstan model for the transition to the market, we have tried to include all ideas we consider progressive, regardless of their authorship. While maintaining a general ideology that is union-oriented, it takes into maximum consideration the structure of the economy and the level of development of the social sphere of Kazakhstan, as well as its historical, national-demographic, geopolitical, and other specific characteristics.

But above all the entry into the market must closely linked to the implementation of a broad complex of measures for stabilizing the republic's socioeconomic position. We must overcome any further exacerbation of

the situation for decisive sectors of the economy, otherwise the issue of a successful transition to the market will be highly problematic. This work must continue throughout the entire transitional period. It has already begun. Recently the Council of Ministers passed several resolutions aimed at ensuring the economy's financial recovery, normalization of the consumer market and monetary circulation, production stability, and strengthened economic ties.

In working out strategy and tactics for Kazakhstan's transition to a market economy, it must be quite clear that this is not a goal in itself. Of paramount importance must be the task of increasing the efficiency of the economic complex in a thoroughgoing manner. Without stimulation of the volume of production in all spheres, there can be no improvement in the life of the population.

A question arises about ensuring increased output of consumer goods by means of reprofiling machine building and converting defense enterprises, by expanding the network of specialized shops and production, and by creating small enterprises and enterprises in conjunction with foreign firms for these purposes. Inter-governmental agreements will begin being implemented between Kazakhstan and other union republics for the mutually beneficial exchange of goods. Measures will be passed to expand imports.

The problem of preventing further decline and disorganization in production and ensuring the maintenance of existing economic ties has taken on especially great significance. Recently these problems were examined in the Council of Ministers. Insofar as the question of a 1991 state plan and budget is scheduled for discussion at this session of the Supreme Soviet, I think there is no need to dwell on this in greater detail now.

The government feels that the transition period requires a strong regional policy and the implementation of a set of undertakings to resolve all accumulated problems and to guarantee state support for individual branches of the so-called nonmarket sector of the economy.

What does this mean?

As you well know, comrades, the past trend toward the all-union specialization of Kazakhstan's economy and its raw materials orientation for the benefit of the central departmental supermonopolies have led to an extremely unequal disposition of productive forces, has sharply exacerbated the ecological situation, and has polarized living standards for the population in different regions. We are all united in the conviction that this cannot go on. Therefore the program proposes a system of measures to create propitious circumstances for the development of the most backward and remote rayons. It envisages elaborating and introducing a new mechanism for natural resource utilization, the essence of which comes down to strengthening state control over the stabilization and preservation of the natural-ecological

balance, stimulating the development of ecologically clean production, and stiffening economic sanctions for environmental pollution.

The government thinks that, in the areas of health care, education, culture, and art, market relations should bear a limited nature. As you understand, branches connected with the people's spiritual health and moral improvement cannot be placed into the commercial mainstream. In this connection the state is undertaking the basic share of the burden for ensuring their development. But in doing so the government will be following a steady course away from the notorious "remainder" principle. This idea is already an integral part of next year's draft state budget.

The republic's Council of Ministers feels that during the transition to market mechanisms, state regulation of the development of science and technology must be worked out and put into action. While the market for scientific-technical ideas and inventions is being created, we cannot allow the level of research work to decline. Therefore we intend to render state support to scientific-technical and innovative activity.

The transition to the market must be accompanied by changes in structural and investment policy. The government feels that priorities in the short-term development of branches of material production and the nonproductive sphere determined at the first session of the Kazakh SSR Supreme Soviet respond to the present-day situation and have been very closely integrated in the basic theses for the transition to the market.

Such are the general characteristics of the program for the republic's transition to the market of a more principled order, so to speak. What does its strategy rest upon and what is the pledge of its success? First of all, we have assumed that any program, even the most ideal, as well as the packages of laws and other normative acts and undertakings accompanying it, can be viable only when the people have an interest in its implementation. That is, the people, for whom all this essentially is being done, must participate actively in all outlined transformations.

Therefore I would deem the fundamental review of property relations to be the pivotal foundation of our document. The idea is to pull our chief productive force—the working man—out of his oppressed state and create all the necessary conditions for revealing his creative potential.

But in order to achieve the goal set, we must immediately abandon universal state ownership of the means of production, unne the hands of goods producers, and clear the way for free enterprise.

As you have probably noticed, the program lays out a procedure and mechanisms in great detail and sets basic directions and forms for the privatization of property. You and I are going to create the necessary legal sphere to stimulate the development of new economic relations.

Preparations of proposals on creating state organs and structures for administering and coordinating these processes are coming to an end. A list of state property that will be transferred to communal property has been compiled.

A methodology for appraising the property of enterprises subject to stockholding, lease, and sale is taking shape. Documents are being prepared regulating the procedure for selling state property and offering credit for its purchase.

Recommendations are being worked out for the local soviets for organizing the sale or leasing of small enterprises and other property.

All this is being done in order to give a unitary organizing principle and rationality to the processes of privatization, to prevent the disorderly pilfering and squandering of property, and to avert possible abuses.

The indicated documents will be put into circulation after the current session passes the corresponding legislative acts.

However, despite this, as well as the fact that we have not yet defined our relationship to the given issues with the union organs, nothing is stopping us from starting to privatize property now owned by the republic and municipalities. Actually, this process is already under way. However, it needs to be more actively expanded.

The program provides strategic directions for the transition to the market and tentative calculations regarding the removal of enterprises in various economic branches from state ownership. At the same time I would like to stress again that it cannot be pushed artificially. We absolutely must take into consideration the will of the labor collectives and enterprises' and citizens' possibilities. Here we must ensure precise legal guarantees for free enterprise and the protection of property rights.

Simultaneously, measures will be taken to demonopolize the economy. Out of the undertakings planned, I would like to draw our attention to the following. Overcoming monopolism by means of breaking up existing highly monopolized enterprises into smaller units, especially in heavy industry, is a difficult matter in our republic. Right now it is unjustified by economic considerations as well. But today there are no real possibilities for creating healthy competition among producers of raw materials and fuel-energy resources by means of forming parallel productive structures. And small and medium enterprises, as you understand, have been called upon chiefly to lay the foundations for the consumer goods market.

In this regard, by utilizing all its authorities, the government intends to apply economic levers more actively to the base branches in order to limit monopolism and to institute state price regulation for the output of monopolistic enterprises, centralized distribution of their wares, and a strict taxation policy.



The issues of the perestroyka of productive relations in the agrarian sector and of land reform occupy a central place in the government's program. The correct solution to this problem will largely determine the success of the entire matter of the economy's radical perestroyka.

The cornerstone of the revival of agrarian policy is the issue of land. What is our position here? A certain portion of society, including many people's deputies, is in favor of offering land for private ownership. As you remember, a hot debate flared up on this account at the first session of the republic's parliament, and the disputes have yet to quiet down even now.

The government feels that this very important issue requires a balanced and carefully verified approach. Our position has been determined by consideration for all the multiplicity of opinions, sober appraisal of the public's present life style, and economic calculations. Its essence consists in the fact that the land cannot serve as an object of "buying-selling" or function as collateral. It must be the exclusive property of the republic. After all, throughout human history, no one has ever managed to determine the value of land as a good. Even in the most "developed" market economy, if I can put it that way, it cannot and will not be a product of labor.

In its program the government is proceeding from the firm principle that in all times the land has had a more material-moral than goods-object significance for the peoples living on it.

At the same time this does not mean that there are any insurmountable barriers to a well-rounded development of market relations in this important sphere. In realizing the authorities it has been given, the local soviets will be transferring land to the possession and use of all citizens who want it and are capable of utilizing it effectively for agricultural production. Moreover, it will be allotted for a long period of time with the right of inheritance. In our view, this type of approach will clear the way for the development of the rural worker's enterprise and initiative.

Many disputes have arisen among people's deputies, scholars, and agrarian specialists on the subject of the future of the sovkhozes and kolkhozes. Diametrically opposite opinions are being expressed—from the necessity of maintaining them unchanged to their forced and universal dismantling.

We feel that here no extreme is admissible. We must keep in mind that during the transition to the market economy the existing sovkhoz-kolkhoz system will be adapted in a limited way to the new forms of property. Moreover, a fixed course to its speedy collapse, especially in the grain and meat-dairy branches, could lead to a serious decline in output production volumes and the irreversible destruction of the agricultural economy.

How can anyone hope that the mechanical replacement of forms of property will immediately bring us success and abundance? That is highly doubtful. Life has shown

that, in the near future, large, well-organized, and profitable farms are going to feed the people.

The main thing is the transformation of economic relations within the collectives themselves. In order for them to function effectively under market conditions, there must be a consistent reorganization of the sovkhozes and kolkhozes in association with leasers, farmers, and cooperators—full-fledged distributors of the output they create.

At the same time the government intends to make maximum use of the advantages of small farms, peasant farms, and cooperative farms and, above all, of their ability to adapt quickly to the needs of the market. The real situation and economic logic dictate that equal conditions be created for all types and forms of management.

The transition period to the market economy will require a reserve of stability in state finances and maximum curtailment of the budget deficit. Therefore, within the framework of the program, it is planned to undertake extraordinary measures to increase income to the budget and maximally curtail its outlays. We feel that the budget can be met by increasing production and expanding the list of goods subject to a circulation tax; by introducing payment for state registration of enterprises, a series of local taxes, and leasing fees for land on the basis of its cadastral appraisal; and by the broad privatization of state property and the sale on the intrarepublic market of a portion of its trucks, vehicles, and other state property.

As for budget outlays, the government sees ways to decrease them in curtailing budget financing investment; the transfer of unprofitable enterprises to leasing or collective ownership; the active application of insured health care; the restriction of financing from the budget for the training of specialists with a higher and secondary special education; the mass transition to selling housing to citizens; the shift to full or partial self-financing for many budget organizations; the curtailment of outlays for maintaining the organs of state administration, and so on. Not everything envisaged by this plan will come about painlessly, but under market conditions we will have to live on our means alone.

In constructing a finance and credit system we are proceeding from the principle of the republic's state sovereignty, with the delegation to the union level of those functions which can be effectively carried out only on the scale of a unitary market for the entire country.

The republic budget retains finances to help it carry out "staff" tasks: financing republic programs and fundamental scientific research, supporting republic organs of power and administration, as well as the financing union organs carrying out republic-delegated functions.

Significant budget authorities are slated for transfer to the oblast level, assuming a new role for the local soviets. This includes the financing of a majority of sociocultural



undertakings, housing, and other nonproductive construction, and many positions in the productive sphere that are directly linked with satisfying the needs of the population.

In tax policy, the government sees its task in establishing fair taxes that will ensure the necessary income for the budget and that will maintain economic stimuli for economic organizations to increase profit. The basic reference point here is taxes on circulation, on the profit of enterprises, and on the incomes of citizens.

In taxing enterprise profit the plan is to unify the tax and make it unitary for all economic organizations so that its level depends only on the amount of profit.

The program plans for bank reform by means of creating a State Bank of the Kazakh SSR subordinated to the Supreme Soviet of the republic, commercial banks, and other credit institutions. We are interested in preserving, especially at the first stage, existing bank structures—Agroprombank [Agro-Industrial Bank], Promstroybank [Industrial Construction Bank], and Zhilsotsbank [Housing-Social Bank]—but on a fundamentally new basis—joint-stock and commercial—that responds to the demands of the market. The republic possesses sufficient credit resources to organize independent banks. USSR Gosbank is specifically delegated the right to establish maximums for increases in currency circulation and mandatory reserve standards for commercial banks.

Moreover, in order to ensure enterprises' ability to adapt to the new conditions and reduce their orientation toward bank credit, there are plans to develop the new element of commercial credit in the wholesale market.

Issues of price formation are becoming quite acute. This is truly an extremely complicated problem. It is so tightly interrelated with all other elements of the market mechanism that to talk about a transition to market relations, to say nothing of the normal functioning of the economy, without great precision and careful thought for price reform makes no sense.

Therefore, in the temporary absence of a completed draft program for the whole country, the republic's government has presented two alternative scenarios for your consideration.

In the last few days, as you know, the USSR Supreme Soviet approved its Fundamental Directions for Economic Stabilization and the Transition to a Market Economy. This allows us, in elaborating the republic's price-formation policy, to take into consideration unitary, countrywide price-formation principles.

We are assuming that under a market economy prices must be free. However, they must be released from administrative control gradually. At the first stage it is proposed to remove controls from retail prices for non-essential goods. For 1991, state price support for goods and services comprising the so-called consumer market

basket and amounting to the basis for the subsistence minimum will be maintained.

Starting in 1992 it is proposed to control prices and tariffs for only a narrow circle of consumer goods and services, among them meat and dairy products, sugar, vegetable oil, basic medications, a few children's goods, and certain types of transport and communal services.

In the future, depending on the stabilization of finances and currency circulation, control on retail prices will be consistently removed depending on the concrete situation in the market.

I would like to point out in particular that in the event of excessive growth in "freed" prices, the oblast soviets may temporarily establish maximum levels for specific goods. In order to ensure the supply of goods regularly used by children and the elderly, the plan is to change the existing mechanism of subsidies for certain light industrial goods. Trading organizations will acquire them from enterprises at contracted prices and sell them to the population at socially low prices, receiving the difference between them in the form of subsidies from the budget.

As for new wholesale prices, we are agreed to their introduction as of 1 January 1991 only on condition that the republic is paid a subvention. Otherwise we will have to introduce free prices, approximating world prices, with the devaluation of the ruble, for our output, especially raw materials and fuel-energy resources.

The chief pledge of the program's reality and the effectiveness of the stabilization measures is strengthened discipline and order in every aspect of the republic's public and socioeconomic life. Without this, all our plans are doomed to failure. Therefore the Supreme Soviet is about to pass a package of legislative acts ensuring a juridical foundation for the future market economy.

At the same time we cannot put off for a single day passing all measures so that existing laws can begin working at full force. Anyone who violates its letter must feel the inevitability of punishment. I beg you to understand correctly. By no means am I calling for the widespread conduct of punitive policy. But the laws must work and ensure order in the economy and calm in society. Only in this way will we be able to overcome the resistance of destructive forces and maintain the people's respect for the organs of power and government.

The republic's program for the transition to the market envisages presenting all economic subjects with maximum freedom of action. However, it must not be forgotten that absolute freedom as such does not exist, and all our actions must be in accordance, once again, with the requirements of law.

Recently the government has run up against manifestations of regional egoism that are incompatible with the policy of strengthening the republic's economy and decreasing social tension in society.

Several oblasts are trying to resolve separately problems of satisfying the requirements of the local economy and population for goods and material-technical resources, concluding agreements for the supply of output produced on their territory and with other regions beyond the borders of the republic. Grain is being exchanged for televisions, meat for lumber, metal for consumer goods. Moreover, the leaders of these oblasts are not at all interested in the problems of their neighbors. But what are other oblasts to do that have neither grain nor meat nor metal to exchange?

In addition, some oblasts where monopolist enterprises are located have begun to set dictatorial conditions for the supplies of their output to other oblasts in our own republic.

It's not hard to imagine where this "feudal" goods exchange—when here in one oblast we produce metal, and in another margarine, and in a third tires, and in a fourth tractors, and so on—will lead.

I consider this kind of egoistical understanding of the market unacceptable both for the republic as well as for each oblast.

Everything that labor has accomplished on oblast territory, everything that has been created through the efforts of the entire republic, comprises the public legacy of all Kazakhstan's workers. Therefore it is the republic, in the interests of all its oblasts, that must resolve issues of supplying output beyond the borders of Kazakhstan and regulating mutual supplies among them. On this level the example of the economic agreement with the Belorussian SSR through which our republic has resolved many issues of output supply in the interests of all oblasts is instructive.

The market economy is a highly organized system with its own rules and standards, among which obligations to business partners and strict observance of state interests and discipline occupy an important place. In building relationships among organs of administration both vertically and horizontally, we cannot step outside the bounds of the law and mutual obligations. In this matter there must be complete clarity among us from the very beginning.

One of the most important problems is the training of personnel for economic reform.

The Kazakh SSR Council of Ministers has already begun work. In August of the current year an expanded governmental resolution on this question was passed in accordance with which over 1200 specialists have already gone through training. Moreover a great number of workers have gone through retraining in VUZes, in courses, in management schools, and so on. A special republic program is being worked out for the training and study of management and economic personnel for work under the new management conditions.

But still, life will be the best teacher for us all. It will be constantly making corrections not foreseen by any scholarly plans or situational models. We must be prepared for surprises and turns so that we can find and undertake educated administrative and economic decisions without necessary fuss.

In organizing work for the transition to the market we must keep in mind as well the fact that we are going to have to bring about a perestroika in people's psychology and thinking virtually as we go. For now the majority of the population still connects perestroika with an inevitable rise in prices and decline in well-being.

I am bringing your attention to this because the more consistently and firmly we carry out the measures planned for the social safety net, the more supporters of the market economy there will be.

As I already said above, the government, in elaborating its program, strived to take people's interests into account as much as possible and to guard them against the pressure of the market element. For the purposes of compensating losses provoked by changes in prices for consumer goods and services, it is planned to introduce indexation for the population's monetary income. The indexation mechanism is laid out in detail in the program and draft of the corresponding law. We are proposing that it be introduced as of 1 January 1991 in order to take into consideration the level of inflation before the transition to new prices.

Apart from this, it is planned to bring about a set of undertakings for increasing pensions, stipends, and various types of subsidies and benefits and for expanding the scale of material assistance to families with many children. In particular the monthly subsidy for child care up to the age of one and a half years will double, and the one-time subsidy for the birth of a child will triple.

Socially unprotected categories of citizens will be provided other types of government support as well. I have in mind the preferential allocation to them of goods and services, the repairing of housing, free food and care, medical, and a few other types of services.

With the transition to the market, the state will take upon itself concern for ensuring each person the right to work, as the basis for a normal life. We admit that in certain periods of the transitional stage a certain portion of the able-bodied population will find themselves temporarily unemployed. In order to regulate the processes of job placement, professional counseling, and personnel training and retraining, a state employment service and a special employment fund are now being created.

It is envisaged that anyone who, for whatever reason, is unable to be given a job immediately will be paid a subsidy over the course of six months in the amount of 50 percent of his former rate, but no lower than the survival level, which in the republic is envisaged at 100 rubles. But for those who cannot get a job for the first

time, a subsidy is expected to be paid in the amount of 75 percent of the subsistence minimum.

Temporarily unemployed citizens who wish to go through retraining and acquire new qualifications, will be paid a stipend while they are going to school. This stipend is expected to be 100 percent of their average salary at their last place of work. Persons who have no seniority or have not worked for a long time will receive 50 percent of the average salary for the republic.

If we are talking about the length and stages of the transition period, it is expected to last two years. This, in our opinion, is a realistic length of time for the perestroika of the republic's economy and forming the bases for our future market economy.

In the first stage, to the end of the current year, we must complete all preparatory work, including passage of the basic legislative and normative acts, the formation on a qualitatively new basis of planning indicators of socio-economic development and a republic budget for 1991, and the resolution of organizational and other issues envisaged by the program. The second stage—next year—must become a period of active start-up of all basic elements of the market mechanism and the creation of a market infrastructure. The new financial, credit, tax, and foreign economic policy will start to be implemented, new prices will be formed, and land reform will be brought about.

This poses the task of creating an effective system of markets—means of production, consumer goods and services, labor, housing, securities, credits, and currency. For this purpose an extensive and interrelated set of measures has been worked out at the base of which lie denationalization and privatization of enterprises in the productive and service spheres, the organizational perestroika of management, the creation of a broad network of goods and money exchanges, commercial enterprises, organizations, and banks, various types of intermediary, consultant, and auditing firms, offices, and so on.

In the third stage—during 1992—the plan is to bring about the intensive formation of the entire market sphere. The center of gravity will be shifted to the development of wages and the activation of structural-investment policy and to ensuring the practical solution of the socioeconomic crisis.

Comrade deputies! As you realize, it is impossible to shed light on all aspects and tenets of the program for the transition to the market in a single report. I have tried to cover only the most fundamental points.

Just after introducing the program for examination by the republic's Supreme Soviet, we received a whole series of comments and suggestions from the committees and commissions of our parliament. They are continuing to come in from scholars, specialists, and labor collectives as well. All of them pose undoubted interest and, considering the upcoming discussion at our session, will help

enrich the program and set out in greater depth and with greater precision its bottom elements and primary directions.

The republic's government is grateful to everyone who has helped and is helping now to complete work on this important document.

At the same time we cannot regard the program merely as an expanded work plan in which everything is regulated and every last little thing is taken into account.

The program bears a strategic and targeted nature. Its tactics for realization can be fine-tuned and can change in the light of the practical experience that we are beginning to accumulate already from our first steps on the path to the market.

You can agree with the proposed version or dispute it. But it seems to us that today we need to choose our main course to reform, while retaining the right to introduce necessary correctives during its practical realization.

After its passage, many of the program's clauses will be revealed in the decisions of the Kazakh SSR Council of Ministers and the concrete undertakings of the republic's executive and economic organs.

There are going to be many difficulties and complications on the path to the market economy. My feeling is that people will understand and will accept even not very popular measures if they believe in their ability to pull society out of its crisis and improve the standard of living for each person.

The government is firmly convinced that the road to success lies through the cooperation of all democratic forces in the republic and the unification of their efforts in the name of a higher goal: civil peace and the good of all the peoples of multiethnic Kazakhstan.

#### **Kazakh President on Reorganization of Economic Administration**

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[Report by N.A. Nazarbayev, president of Kazakh SSR, to the Second Session of the KaSSR Supreme Soviet: "On the Structure of Government Bodies and Administrative Agencies for Management of the Economy in the Republic"]

[Text] Esteemed comrade deputies!

The republic, along with the entire country, is entering a very complicated stage of its development. The KaSSR Government has submitted for consideration of the session of the republic's Supreme Soviet a draft of a program for transition to the market, which takes into account the specific features of Kazakhstan's economy, the possibility for implementing the principles of the republic's state sovereignty under the conditions of a renewed Union, and also the provisions of the: "Basic



Directions for Stabilization of the Economy and the Transition to a Market Economy," approved by the USSR Supreme Soviet.

We thus stand on the threshold of adoption of revolutionary decisions aimed at creating a socially oriented efficient economy and at further development of democratic processes that guarantee reliable protection of civil rights and liberties.

The years that have passed so far have shown that it is not possible to carry out a reform in the economy within the old framework of the command-administrative system, which is obstinately preserving itself at the union and republic levels, is holding back the effort to make the transition to market relations, and is not giving enterprises their freedom. We have a scarcity economy, inflationary processes have grown, and finances and the circulation of money are out of balance.

The present structures of government and administration cannot guarantee that production potential and economic and intellectual potential will be effectively used, and that the standard of living of the population will rise. They no longer have instruments for influencing the processes taking place, they are unable to hold back a further deterioration of the situation, and they are not capable of bringing about the conditions for adoption and development of market relations, introduction of a new mechanism for motivation of highly productive work, and encouragement of enterprise and competition. What is more, they have become an obstacle in the way of scientific-technical progress, intensification of production, resource conservation, work effort, and activity in social welfare.

The operating forms and methods of administrative agencies are conservative and do not take into account social-psychological factors. The principles of state administration and those of economic activity proper tend to flow together. Distributive functions, regimentation, and intervention in the activity of enterprises and encroachment on their economic independence predominate in the work of ministries and departments. There is no responsibility for the administrative decisions that are made.

Republic administrative agencies are guided by outdated regulations and normative documents, whereas work collectives are guided by the Law on the State Enterprise. Reality is such that in view of the low efficiency of utilization of economic levers, today we must speak about an actual unmanageability, the absence of abilities to hold back an unjustified rise of wages and the issuing of money and to reduce the budget deficit. The uncontrolled growth of the money supply and disordered state of the pricing system, in view of the lax financial control, have in turn brought about a decline in delivery discipline, a spread of speculation and bartering, and a general deformation of commodity-money relations.

The predominance of the sectoral approach in management has resulted in limitation of the rights of local

soviets. They have for all practical purposes been deprived of the possibility of carrying on the full-fledged activity of combined economic and social development of regions, formation of optimum interregional and interrepublic horizontal economic ties, which are developing one-sidedly and are entirely subordinated to the interests of departmental and sectoral specialization.

At the present time, there is no clear legal basis for local self-government, nor for the sphere of activity of the new bodies and agencies of local soviets. Disruption of vertical ties between soviets at different levels, regional egoism, and absolutization of their own powers by certain local soviets threaten destabilization of the socioeconomic situation and a growth of destructive political processes. Interblast deliveries of food and commodities are not being met, and people are being hurt by this. This could have unpredictable consequences in the context of a multinational republic.

There is a growing aspiration in local soviets to concentration of power in presidiums, to petty meddling in the activity of executive bodies, to performing administrative and economic functions themselves. This has caused a noticeable drop in the activity of the ispolkoms; quite often they avoid making decisions on matters that lie fully within their competence. This is especially manifested in connection with solving conflict-ridden and unpopular problems.

There are well-known cases not only of poor coordination, duplication, and parallelism in the activity of presidiums and ispolkoms of local soviets, but also of their confrontation, when personal ambitions and subjectivism outweigh the interests of the business at hand.

A still more contradictory situation has come about at the level of settlement, village, aul, and city (under rayon jurisdiction) soviets. In such cases, the soviet operates without a staff and as a rule is headed by a voluntary chairman, and the ispolkom is headed by a full-time chairman and secretary with a small staff and lacks the power to guide the activity of the body of deputies. In many cases, key officials in the economy or other leaders are elected soviet chairmen, which completely discredits the very idea of the supremacy of the soviets and runs counter to the fundamental constitutional provisions that enterprises, institutions, and organizations are accountable to the government authority and subject to its oversight.

In a number of places, there is a spontaneous process of reorganization of the bodies of government and administrative agencies that has been generated by reality itself. In this case, the procedural forms and methods of the structures created quite often contradict current legislation. All of this has caused a decline of authority of the bodies of government at the local level, and there is a decline of state discipline and compliance with instructions.

The tasks of guaranteeing stabilization of the economy and performance of coordinated purposive measures to



create the market objectively impose the necessity of radical reorganization of the structure of the bodies of government and agencies for administration of the economy.

This means that local soviets at all levels and the head of state, based on civil consent and consolidation of all social forces, must have strong, authoritative and effective power.

We must undertake major restructuring of the bodies of government and administrative agencies and must not allow formalism or superficial transformations of the old structures.

A working group under the direction of D.Kh. Sembayev, member of the Presidential Council, was created to prepare proposals on this question. The members of it were highly qualified specialists from the economy, scientists, and legal specialists.

The dialectics of the development of interaction between the market and administrative structures makes it a necessity to create in advance the necessary administrative agencies whose responsibility it would be to actively influence formation of market relations. The tactical thrust of the transformations must be aimed not at waiting passively for the conditions and factors of the operation of the market to come about, but, on the contrary—at formation of the mechanisms that will set it in motion by the newly created administrative agencies.

The proposed reorganization of the structure of administration in the context of the transition to a market economy is based on the following basic principles:

- separation of the legislative, executive, and judicial branches of government;
- the republic is sovereign in shaping the structure of the bodies of government and agencies for economic administration;
- interaction with union-level bodies and other republics is based on treaty relations and conforms to the principles of the new Union Treaty;
- clear delineation of state ownership between republic and local authorities as to levels, functions, and management. In this connection, provision is made for maximum transfer of property to the jurisdiction of local soviets in order to bolster their economic base;
- separation of the functions of state administration of the economy from conduct of economic activity proper;
- democratization and decentralization of economic activity, freedom of business enterprise and expansion of the economic independence and responsibility of participants in economic life regardless of the forms of ownership, and extensive elimination of the departmental subordination of enterprises.

Implementation of these principles and creation of the legal basis for strong executive power at all levels requires first of all speeding up reorganization of local

bodies of government and administrative agencies. It should be emphasized in this connection that combining the interests of regions and the republic as a whole makes it imperative to introduce the principle that decisions of higher authorities are binding on lower ones. This is all the more necessary to coordinate introduction of market mechanisms and the system to protect the social welfare of the population.

The measures proposed to improve the structure of the local bodies of government and administrative agencies are aimed at real backing of the principle of full authority of the soviets, elimination of ambiguity in the legal position of their bodies (presidiums and ispolkoms), strengthening executive power, and increasing responsibility for decisions made.

At the level of the oblast, city, rayon, settlement, village, and aul, the respective soviet of people's deputies, which organically combines the functions of local legislative (implementing) and executive activity, must become the supreme body of government.

The session of the soviet elects the soviet's presidium and chairman and his deputies for soviet proceedings and socioeconomic affairs. Executive committees of soviets are abolished.

The soviet's presidium is a collegial body called upon to see that the democratic principles of leadership are observed when the chairman of the soviet is given the functions of the head of the region's bodies of representative and executive power. Its members are the chairman of the soviet, his deputies, the chairmen of the standing commissions, and also other deputies by decision of the soviet. In the period between sessions, the presidium is empowered to decide any questions within the competence of the soviet except those decided exclusively in sessions; it issues decrees to carry out the decisions of the soviet's sessions and on operational matters and to implement laws and decrees of the USSR Supreme Soviet and KaSSR Supreme Soviet, ukases of the USSR president and the KaSSR president.

Candidates for the position of chairman of the oblast soviet are nominated from among the deputies of the respective soviet by the KaSSR president. The candidate takes office after his election by a majority of the deputies of the soviet. Candidates for the position of chairman of the rayon, city, city-rayon, settlement, village, or aul soviets are nominated by the chairman of the superior soviet of people's deputies. This procedure is indispensable in the transitional period. It may be changed in the future.

A unified staff of the soviet is created to coordinate the activity of all the elements of executive power, to perform general functional duties in the guidance and organization of mutual relations between the soviet and the bodies of state administration of the sectors of the region's economy. The structure and size of the staff and its functions are determined by the soviet.

The transition to an economy of the market type and its effective operation are possible only if interaction between local and republic authorities is organized in a straightforward fashion. The vertical ties of cosubordination of the executive bodies at various levels, which have been lost, should be reestablished, and new mutual relations should also be built between the head of state and local soviets. At present, the president of the republic has very limited rights, and sufficient legal grounds do not exist for formation of a strong executive power. It has become difficult to exercise the powers that make up the competence of the head of a sovereign state, and relations between the president and oblast soviets of people's deputies have not been regulated.

In practice, the president must concern himself with the issues of the jurisdiction of the government, everyday problems, and operational functions. For its part, the government is looking to superior bodies as it goes about its work.

There is accordingly an objective necessity to invest additional powers in the republic's highest official. The draft of the Law on Amendments and Supplements to the KaSSR Constitution being proposed to you enumerates them.

It is proposed that the president of the republic combine the functions of head of state and the supreme executive power. In the new context, he will have the ability to directly regulate the economy and create new executive-administrative bodies proper to a market.

Restructuring of the supreme bodies of government and administration is indispensable. The position of deputy president is to be transformed into the position of vice president.

It is advisable to reorganize the K SSR Council of Ministers as a cabinet of ministers with a prime minister; they would be approved by the republic's Supreme Soviet upon submittal by the president.

The positions of deputy chairmen of the Council of Ministers are abolished.

In view of the new market structures, the cabinet would still have 31 ministries, 16 ministries and departments are abolished, and the rest are reorganized as concerns, associations, and other forms of activity whose staffs would be financed by the institutions themselves.

Under those conditions, it seems sensible to merge the staff of the KaSSR president and that of the administration of affairs of the republic's Council of Ministers and create the Office of the President. This body would have to structure its operation on the functional principle.

In keeping with the KaSSR Constitution, the Presidential Council would operate under the president of the republic; its task would be to develop measures to pursue the main directions of domestic and foreign political activity. In accordance with the Basic Law, the activity of the Presidential Council is advisory in nature, and it

does not provide for it to take part in actual administration of the state. Reality has proven the ineffectiveness of this body's operation.

In connection with the expansion of the powers of the president of the republic and also with development of political pluralism and a multiparty system, the objective necessity arises of altering the principles governing the membership of the Presidential Council. It also needs to be noted that the chairman of oblast soviets of people's deputies do not at present take direct part in drafting and making the most important decisions of the state. Nor is sufficient use made of the opportunities that exist for them to influence conduct of the line of policy and execution of decisions of the republic's highest official.

The tasks facing the republic and the need to consolidate all social forces and strengthen the regional aspect of administration make it imperative that chairmen of oblast soviets of people's deputies be members of the Presidential Council. The vice president and prime minister are ex officio members of that council. The president also has the right to include other persons in the membership of the council at his own discretion.

It should be noted that development of the mechanisms of the market and comprehensive preparation of the sectors of the economy for the new conditions are not going forward vigorously enough. There is a certain disconnectedness and parallelism of this effort in republic authorities.

The development and implementation of the policy governing the transition to market relations must become a specific function of state administration coordinated by the KaSSR president.

A specific body must be created under the KaSSR president—the Supreme Economic Council for Introduction of Market Relations—in order to carry out a unified economic policy, to coordinate the activity of all the bodies of state administration concerning the transition to the market, and to prepare the drafts of ukases and other documents of a normative nature. It would be expected to guarantee the unity of approaches in solving the problems of property relations, the budget and financial system, pricing, social welfare, and other matters. The council could include representatives of oblasts in order to coordinate efforts. Its most important functions must be to analyze and regularly monitor progress in the introduction of market mechanisms.

The Supreme Economic Council provides communication between the KaSSR president and the interrepublic economic committee under the Council of the Federation and also with republic and oblast bodies for state administration of the economy.

The institution of state councillors is created in order to coordinate the activity of ministries and departments and self-governing structures, as well as to pursue the strategy worked out for development of market relations.

for placement of state orders on a long-term basis, for distribution of products delivered under them, and for regulation of the prices of those products.

The committee is expected to perform the role of a state intermediary in the compiling of orders for products for state purposes, to select those who will fill the orders, to prepare and conclude state contracts, and also to monitor their performance and apply penalties when specific conditions are not met. It is granted the right to conclude general contracts in the name of the republic with analogous bodies of the Union and the union republics and with enterprises located in Kazakh SSR for delivery and obtaining to meet its needs as a state products for production and technical purposes, equipment and machines, and agricultural products.

The fundamental distinction between these general agreements (contracts) and the present administrative-command system for establishment of the state order is that their conclusion is envisaged as a rule on a competitive basis, through the conduct of open or closed auctions (for a limited group), and through extensive use of all types of prices.

The KaSSR State Committee for Foreign Economic Relations, which exists even now, must work out the strategy for their development, see that the interests of the republic are safeguarded on the world market, and register participants in foreign economic relations. During the transitional period, it is given the functions of issuing licenses and of preparing proposals for setting quotas for commodity exports and imports. It is to strengthen coordination of the activity of all participants in foreign economic relations operating on the territory of the republic and also provide them assistance in establishing commercial, foreign exchange, financial, and scientific-technical cooperation with foreign trading partners, and in the necessary cases supply information on market conditions and prices on the world market.

The activity of the State Committee for Statistics and Analysis must be structured on the basis of the uniform methodology of union-level and world statistics so as to take the requirements of the market into account. In this connection, it is indispensable to get away from the continuous form of accounting and the present recording of the general operating results of the republic's economy, to expand substantially the conduct of specialized surveys, to study public opinion, to analyze and appraise phenomena and processes taking place in the socioeconomic sphere. The fundamental principle governing the committee's activity must be objectivity, openness, and accessibility of the information supplied.

The Ministry of Agriculture and Food is to be organized on the basis of Gosagroprom and Minkhleboproduktov of Kazakh SSR, which are being abolished. The ministry's functions are defined so as to take into account the transfer of a sizable portion of agricultural and processing enterprises to municipal ownership.

It seems advisable to leave a restricted number of enterprises whose products meet interblast and interrepublic needs under republic ownership (factories for primary processing of wool, sugar mills, certain meat combines, enterprises of the mixed feed industry, etc.).

The following responsibilities must be placed on this ministry: oversight and surveillance of observance of legislation concerning land use and land use planning; development of the land records system; achievement of the necessary level of operation of the veterinary and quarantine services; and monitoring the quality of agricultural products. The ministry's principal tasks are as follows: forecasting and applying the advances of scientific-technical progress in the agroindustrial branches; development of a flexible pricing mechanism for agricultural products; coordination of efforts to improve selection, agricultural crops, livestock, and poultry; development of summary balances of food resources; study of external and internal markets for the sale of agricultural products.

The ministry builds up, decides the location, and stores state reserves of food grain. An important direction in this activity is to regulate the development of the rural infrastructure of production and social welfare.

The Ministry of Industry is being formed as a fundamentally new body of state administration conducting the policy for development of all branches of industry, including the heavy branches, state concerns, and other organizational structures.

Its principal functions include regulating and promoting industrial development of oblasts, coordination of decisions on location of new enterprises and production operations, and improvement of the structure of industrial production with a view to changing the republic's position as an "appendage supplying raw materials." An important direction in the activity of the ministry would be to draft and carry out programs for combined use of raw materials, environmental protection, and conversion of defense enterprises.

A new direction in the activity of this body would be to perform the functions of stimulating conditions for competition and business enterprises, coordination of measures to improve the financing through appropriations, credit financing, and taxation of enterprises so as to take into account creation of additional jobs in labor-surplus regions and also pricing and development of foreign economic relations.

The Ministry of Transportation must perform these functions: state coordination of the development of the republic's rail, air, river, and highway transportation; joint development of uniform standards and rules with the respective union authorities; coordination of freight and passenger traffic and operation of all branches of transportation; forecasting the development along the



for placement of state orders on a long-term basis, for distribution of products delivered under them, and for regulation of the prices of those products.

The committee is expected to perform the role of a state intermediary in the compiling of orders for products for state purposes, to select those who will fill the orders, to prepare and conclude state contracts, and also to monitor their performance and apply penalties when specific conditions are not met. It is granted the right to conclude general contracts in the name of the republic with analogous bodies of the Union and the union republics and with enterprises located in Kazakh SSR for delivery and obtaining to meet its needs as a state products for production and technical purposes, equipment and machines, and agricultural products.

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The ministry builds up, decides the location, and stores state reserves of food grain. An important direction in this activity is to regulate the development of the rural infrastructure of production and social welfare.

The Ministry of Industry is being formed as a fundamentally new body of state administration conducting the policy for development of all branches of industry, including the heavy branches, state concerns, and other organizational structures.

Its principal functions include regulating and promoting industrial development of oblasts, coordination of decisions on location of new enterprises and production operations, and improvement of the structure of industrial production with a view to changing the republic's position as an "appendage supplying raw materials." An important direction in the activity of the ministry would be to draft and carry out programs for combined use of raw materials, environmental protection, and conversion of defense enterprises.

A new direction in the activity of this body would be to perform the functions of stimulating conditions for competition and business enterprises, coordination of measures to improve the financing through appropriations, credit financing, and taxation of enterprises so as to take into account creation of additional jobs in labor-surplus regions and also pricing and development of foreign economic relations.

The Ministry of Transportation must perform these functions: state coordination of the development of the republic's rail, air, river, and highway transportation; joint development of uniform standards and rules with the respective union authorities; coordination of freight and passenger traffic and operation of all branches of transportation; forecasting the development along the



lines of scientific-technical progress; information support and analysis of sectoral legislation and creation of the necessary legal and economic regime for efficient operation of the sector.

Provision is made in this connection for the railroads and civil aviation administration to be transferred to republic ownership and retain the status of independent economic complexes, which does not preclude their joint management with union-level authorities. Highway transportation and municipal electric transportation and enterprises serving them would be transferred to municipal ownership.

The State Committee for Architecture and Technical Policy in Construction is called upon to conduct a uniform scientific and technical policy in architecture and urban construction and the construction industry, to take part in expert evaluation of the plans for enterprises to be built, and to draft general standards and rules that would be binding on all construction organizations. Its jurisdiction would extend over the development of master charts for development of cities and settlements. What is more, the committee would be responsible for performing the functions of coordinating and defining the effective lines of investment in the production facilities of the construction industry.

The State Committee for Geology and Mineral Resource Conservation, which would be created, is to perform state management of the sector and provide comprehensive exploration of mineral resources, their optimum use and preparation; to monitor technically sound working of mineral deposits, including hydromineral resources, and the conduct of operations for recultivation and restoration of land. The committee would be responsible for keeping a record of state reserves of minerals and their effective use. All geological enterprises and organizations located on the territory of the republic would be transferred to it.

It is proposed that the State Committee for Water Resources be created. Further development of the economy is in many regions of the republic being held back even now by the lack of these resources. Opportunities for increasing the use of surface streamflow have been practically exhausted. The committee's principal functions would be these: effective management of state water resources; protection of water against depletion and pollution; development of a uniform strategy and long-term programs for development of water management, establishment of a strict procedure for setting standards, for use of resources, and for sharing of water in the interests of the sectors of the economy and the public.

The Ministry of Labor must be formed from the State Committee for Labor and Social Problems, which is being abolished. Its principal functions would be these: state management of the processes of formation and

regulation of the manpower market and migration of population, and organization of personnel training and retraining.

The ministry would have the following duties: creation and guidance of the state employment service, solving problems of job placement, especially for young people, women, and disabled persons; organization of public works projects; determination of the minimum level of remuneration of labor; and the drafting of measures for protection of the social welfare of the population.

New functions are being assigned to the Ministry of Justice. Its principal tasks would be to prepare legislative bills by order of the republic's Supreme Soviet and the KaSSR president, to analyze the social and legal situation and forecast it, provide expert evaluation of departmental normative acts, systematize and codify legislation, and provide guidance to forensic legal institutions. It is proposed that the ministry be relieved of organizational management of the activity of the courts.

A state commission is being created for emergency situations within the cabinet of ministers.

The People's Control Committee is terminating its work in its present form; the KaSSR State Inspectorate will be created. The principal functions of the new body should be the following: verifying execution of the laws of KaSSR, decrees of the Supreme Soviet and ukases of the president of the republic; monitoring expenditure of budget resources and also the efficient activity of administrative agencies. The State Inspectorate must be given appropriate powers and rights on a legislative basis. On the basis of the results of the inspections and surveys it conducts, it presents its conclusions and proposals and also semiannual reports to the president and Supreme Soviet of Kazakh SSR.

It is proposed that we retain the present ministries of social security, public education, health care, foreign affairs, highways, trade, internal affairs, the State Committee for Physical Education and Athletics, the State Security Committee; that we transform the State Committee for Culture into the Ministry of Culture, along with appropriate review of the functions of state administration and regulation in the context of a market economy. At the same time, there is a proposal to create the Committee for State and Public Security of the republic, unifying the KGB and Ministry of Internal Affairs.

In addition, it is proposed that a number of republic functional bodies for state administration which are not part of the cabinet of ministers be retained. The functions of these bodies are also subject to change.

In the light of the USSR Law on Freedom of Conscience and Religious Organizations which has been adopted, we should review relations between the state and religion. The mistakes committed in the past are well-known. In order to enhance the status of the present state body, then, as the fully authorized Council for Religious

Affairs of the USSR Council of Ministers in Kazakh SSR, it is proposed that the appropriate structural subdivision be created within the staff structure of the president of the republic. We cannot fail to take into account the role which religion plays in the ethical renewal of man and in familiarizing the people with his culture and history over many centuries. Consideration must be paid to the peacemaking potential of religion, to its ability to achieve social concord and consolidation.

These proposals reflect the most substantial changes in the structure and functions of ministries and departments; as the economy enters upon market relations, they may be revised. A certain correction of their functions will take place in close relation to the solving of problems of the separation of union-level, republic, and municipal ownership and with spelling out the procedure for formation of the republic and local budgets.

Reorganization of the bodies of state government and administration of the economy, even taking into account creation of the specific new market-oriented administrative agencies, makes it possible to reduce republic and local expenditures to finance them by approximately one-fourth.

Performance of the tasks facing the republic in stabilizing the economy and making the transition to a market economy is impossible without solving the problem of personnel support and radical restructuring of worker psychology and consciousness. The prestige of the leader and the status and responsibility of state employees have to be restored. The main thing is to staff the bodies of government and administrative agencies with highly qualified and competent personnel, people capable of working creatively and with initiative in the context of a market economy. Final practical results are the basic criterion for evaluating them.

Comrade deputies!

Amendments and supplements have to be made in the KaSSR Constitution to carry out transformations on this scale, since we are radically revising the present powers of the bodies of government and administrative agencies in the republic.

You have an opportunity to examine the draft of the law on this matter. I will allow myself to dwell on its key points.

It envisages that the KaSSR president is not only the head of state, but also its supreme executive authority. This presupposes that he directly supervises the activity of the cabinet of ministers and oversees it. The president's powers include the right to appoint and dismiss the prime minister and members of the cabinet, to create and abolish ministries, state committees, and departments.

All of these problems should not, of course, be dealt with without oversight. The ukases of the president on important issues are subject to approval by the republic's Supreme Soviet.

Among the additional powers of the president, the bill envisages the right to issue ukases to amend and supplement laws of Kazakh SSR in the period between sessions of the Supreme Soviet, and they also would be submitted afterward for approval of the Supreme Soviet.

This right is dictated by the need to issue normative acts promptly on matters of property relations, organization of administration of the economy, remuneration of labor and pricing, and the strengthening of law and order.

In order to strengthen interrelationships between republic government and local government in the transitional period, as we have already mentioned above, the draft of the law grants the president the right to propose to the oblast soviet candidates for the position of chairman and also the right to submit a proposal to it for dismissal of the chairman from his position before the end of his term in the case of his inappropriate performance of his official duties or if he commits heinous acts. But here, of course, the final decision on the matter has been and remains with the soviet itself.

I think the people's deputies will agree with me that today the leadership of soviets must be people who think in the new way, who are not afraid to take responsibility upon themselves, but who at the same time are acting for the good not only of their own region, but also of the entire republic. We can no longer tolerate nonexecution of the decisions of central authorities, including laws adopted by the Supreme Soviet.

The competence of the cabinet of ministers and the procedure for organizing it and its activity must be defined in the Law on the KaSSR Cabinet of Ministers, whose drafting must begin immediately.

Performance of the measures proposed to the KaSSR Supreme Soviet concerning major restructuring of the bodies of government and administrative agencies is directly bound up with the fact that the republic's economy is no longer able to function normally and develop under the conditions of an unstable political situation, legal nihilism, and democracy through political rallies. The economy has its own laws and rules, which require clarity and discipline, responsibility and system in the actions of government bodies and administrative agencies.

The situation that has come about does not allow for dragging out the processes of perestroika, it demands that responsible decisions be made. The present time is a difficult and dynamic one, it does not allow for shilly-shallying. I accordingly ask the Supreme Soviet for authority to appoint the heads of certain new departments by ukase of the president even at the outset of November. I am referring to the antitrust committee, the

committee for management of state property, the committee on contracts, and the Ministry of Industry.

This is the first time that we have undertaken to carry out such a radical reform of government and administration in Kazakhstan. The road ahead is unexplored, the work is largely unfamiliar to us all. But we are fully determined to undertake it in order to improve the life of the people of the republic. We will thereby bear the greatest responsibility to them. I hope I will have your support and aid, esteemed comrade deputies.

### **Kirghiz President on Stabilization, Market Economy**

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[Report by A. Dzhumagulov, chairman of the KiSSR Council of Ministers, to the Extraordinary Second Session of the KiSSR Supreme Soviet: "On the Program for Economic Stabilization of Kirghiz SSR and the Transition to a Market Economy"]

[Text] Esteemed people's deputies!

Esteemed comrades!

The draft of the program for stabilization of the republic's economy and the transition to a regulated market economy, prepared by the KiSSR Council of Ministers, is being submitted today for your consideration.

The last versions of the programs prepared by the team headed by S.S. Shatalin, member of the academy, and by the USSR Government and the one submitted by M.S. Gorbachev, the country's president, to the USSR Supreme Soviet for consideration are the basis of the republic program for the transition to a market economy. It takes advantage of everything constructive contained in the other programs, the conclusions of the commission headed by A.G. Aganbegyan, member of the academy, for examination of alternative projects and proposals, and the opinions of the union republics.

In our own republic, a commission consisting of 28 people under the direction of T.K. Koychuyev, member of the academy, worked in association with the government. Gosplan, Minfin, the Academy of Sciences, ministers, committee chairmen, VUZ [higher education institution] scientists, and specialists took an active part in this effort.

Probably in all the years the republic government has never had to draft a document on such a large scale and of such very great importance. After all, the measures and radical transformations set forth in the program predetermine the way of life and destiny of our entire republic and of present and future generations. In its essence, this is not even a program, but rather the general outline of a program. It concerns fundamental issues in our future life. Issues which affect every person, every

family, all strata of our population—the workers, university students, pensioners, in short, all of us. It is this that makes it incumbent upon me to address not only you, people's deputies of Kirghiz SSR, but through you all citizens of our multinational republic as well.

What is driving us to make the transition to a regulated market? Above all, the extremely problematical economic and sociopolitical situation that has come about both in the country as a whole and also in our own republic. The economy is under a profound strain. Social production is continuing to drop, business ties are being severed, the financial sphere is getting out of control, and the budget deficit and domestic state debt are growing. Whereas over the period 1981-1985 the country's recorded domestic debt was 37.8 billion rubles, over the last five years the growth of the debt will be 350-400 billion rubles, and in Kirghiz SSR where it was 1.1 billion rubles, there has been an increase of 1.4 billion rubles.

The foreign debt has been growing very rapidly—last year it was twice what it was in 1984, and in 1991 the country must repay 12.5 billion rubles. Here, we have made our negative contribution, since our imports are 13-fold greater than our exports.

The consumer market is being displaced more and more by the rationing of goods and the black market, and social tension has reached its limit. At the same time, personal bank balances in the republic are twice what they were in 1985 and amount to 2.1 billion rubles. The population has approximately the same amount on hand (in the "safe" at home).

For the first time in many years, production has dropped in recent months, mutual deliveries have gone out of control, contracts are not being performed (the figure was 97.8 percent for the first nine months of 1990, as against 99.1 percent in the corresponding period of 1989), and established business ties are being severed. That accounts for all the expeditors traveling all over the country.

Enterprises are shutting down because deliveries are short, we are experiencing immense losses, and there is no point in even mentioning the stability and uniform pace of production. What is worse, many adverse processes are even intensifying.

In this situation, there is no alternative to the transition to a market economy, and we all must thoroughly understand this. We had a purpose in mentioning those figures. When we add to what we have said the apathy, the number of people outside the production sphere, exceeding the number who are working, the scale of the shadow economy, beginning with figure padding, legalized double counting in the production of goods even at one and the same enterprise, and going all the way to theft, speculation, embezzlement, and many other things, then it becomes clear how urgently necessary it is to resolutely change the situation, to adopt qualitatively



new work incentives, and to increase personal responsibility. Something else is also clear. We cannot fail to restore discipline and order in the country and put everybody to work.

The financial and monetary system has to be stabilized by carrying out a set of interrelated measures. We cannot temporize any longer, there is no time, it is gone. That being the case, it is vitally necessary to make the transition to a market, however difficult it might be.

In doing so, we dare not allow sociopolitical upheavals and economic chaos. There are serious fears that unless people are more disciplined in doing what they are supposed to do, there will be no unity, no perceived order, and in those places where it is particularly necessary to have strict order and culture in our democracy and in the affairs of perestroika as a whole, the laws of the Union will not be unswervingly carried out, and even the market economy will not help us. There is no simple way for us to arrive at the market. Having weighed all of this and many other things, we have come out in favor of an all-union market, stabilization of the state affairs in the country as a whole, order, and discipline.

Does the transition to the market signify renunciation of our socialist ideals, a reversion to capitalism? Not by any means, a thousand times no. The transition to the market must not contradict the socialist choice.

The period of economic and political instability the country is experiencing is in our view a reflection of the profound crisis of the totalitarian system of government, which has hampered free development of the productive forces and production relations. Deformation of the latter has inevitably been distorting the fundamental principles of the socialist mode of production. That is why we can speak about the inviolability of the present state structures of administration, but by no means about the unproductiveness of the socialist idea.

The regulated market must be organically inscribed, must take on life, and must develop within the body of socialism. All the best that has accumulated over many decades in the socialist system must work for market relations and experience a further development in the state and kolkhoz sector. At the same time, the less efficient and inefficient must be replaced by new production relations, including the market and market relations: joint stock ownership of machines and equipment, free enterprise, competition, unrestricted prices, and so on. We will arrive at that through denationalization and demonopolization.

The main thing is to enhance incentive factors in every way and on that basis to achieve a further improvement of the socialist mode of production in the context of a market economy. At this point, we have no opportunity to solve the acute problems in the economy by other means. Not socialist competition, nor cost accounting (*khozaystvennyy raschet*), nor the collective contract, nor leasing as it is understood today, nor other elements of the new economic mechanisms, of which there are

many, have thus been able to put all the instruments in operation and force everyone to work at full force and restore our economy to health. One of the main reasons is that the worker in our economy is alienated from ownership and is not motivated directly on the basis of the end results of work.

That is why the market is not an end in itself, but one of the means of improving the operation of our socialist economy, of increasing its efficiency, and on that basis of improving the people's standard of living. It is necessary in order to radically reform our economy, to open up broad space for initiative, enterprise, and the economic independence of work collectives and of every worker, all oblasts, cities, and rayons, so that then, relying on the resources the republic possesses, relying on the market, we can realize a real socioeconomic benefit, extricate ourselves from the crisis situation, without betraying the ideals of socialism in the process.

We thus have to accomplish a change of direction, one that is difficult, but extremely necessary for the country's destiny. It consists of replacing the intervention of the state, dependency and leveling, apathy and mismanagement, engendered by the administrative-command system, by freedom of economic activity and responsibility of collectives and every individual person and citizen for their own well-being. And that will happen with strenuous and well-organized labor, labor that raises a sweat, not work according to the motto "Seven with spoons and only one with a fish."

In order to be objective in making a responsible choice, we have had to examine other ways of getting out of the situation that has been created. In working groups and commissions in which we worked in Moscow, if we lumped things together, three versions were proposed for getting out of the crisis situation. They were as follows:

1. The version of going back to 1984. In our view, it is, of course, unacceptable. In the years of perestroika, so much has been done, although there has been just as much that went wrong and was overlooked, especially in the economy. If we weigh all the pros and cons, we see: not the slightest prospect is offered by reversion, that is, by going back to the old methods, nor could it offer any prospect.

2. The version of gradual reforms. The country and its economy are in such a state that trust in the future is being destroyed. Slowing down, then, is like death.

3. There remains the last version, the radical one.

Today, you must decide which of them we will accept.

The program proposed to you is based on that radical version of the transition to market relations. Here again two roads are proposed:

1. The radical one.
2. The radical-moderate one.

Our opinion, the opinion of the government, was set forth clearly and unambiguously in the recent trade union congress of Kirghizia, and it has not changed, although much has changed in the Union. The republic's government firmly backs the radical version, along with a clear vision of social welfare guarantees of the interests of the workers. That is, a sensible transition to the market that is not reckless, it neither pushes events faster than they can go, nor does it stall.

In this regard, our position coincides with the Program (Basic Directions) adopted by the USSR Supreme Soviet on 20 October 1990.

In connection with the situation in the country, which has changed (new purchase prices have been adopted on grain and meat and new wholesale prices when contracts are concluded for 1991), the Basic Directions envisage three alternatives of action.

First—entirely according to the program of Academician Shatalin: first stabilization and financial and monetary balance for three-four months, and then the transition to market prices, leaving fixed prices in place only for a restricted group of commodities. But this means rescinding all the decisions on the new purchase and wholesale prices that have been introduced, failing to raise pensions or helping large families or greatly postponing the dates for doing so. In our view, there really will be an explosion if we undermine the people's confidence any more. What is more, work on the plan for 1991 would have to be stopped entirely. That is also a bad thing: at the moment, we have neither a market nor a plan.

The second alternative—push forward the process of the price reform. This is the other extreme, manifest serious inflation and a slump in the economy and in trade.

The third alternative of action consists of specific measures to hold back or reduce the growth of prices and at the same time to carry out measures to normalize the monetary and financial system and on that basis accomplish the transition to market prices. We consider this version the most acceptable.

There is no question that after consideration here, in the republic's Supreme Soviet, we will once again work on the program to take into account all the objections, and we will do a detailed revision. Our job here is to agree in principle, to arrive at a good result.

We favor unconditional recognition of the integrity of the Union of SSR as a federation, and at the same time recognition of the state sovereignty and equality of all the republics and of Kirghiz SSR. Kirghiz SSR must possess, use, and dispose of all the national wealth located on its territory. All of this must be regulated by legislation of Kirghiz SSR. Voluntarily, in their mutual interests, the sovereign republics enter into the Union and form a unified economic space, the unified union market.

In forming the unified market, the republics delegate to the Union the following powers by agreement. We basically agree with them, and that is why I mention them for discussion:

1. Conduct of an agreed credit-money and foreign exchange policy aimed at strengthening the ruble.
2. The drafting and adoption of uniform tariff rules.
3. Regulation of prices throughout the entire Union on key products, commodities, and services, whose extent would be subject to the consent of the sovereign republics.
4. The drafting of a strategy in foreign economic policy. Formation and use of the All-Union Foreign Exchange Fund.
5. Unified departments for patents, weights and measures, and the weather, adoption of international standards, organization of union-wide statistics, and a uniform system of accounting.
6. Defensive capability, state security, and combating organized crime.
7. Forecasting the country's economic and social development and the building of major national economic complexes.
8. Union-wide economic problems.
9. Measures of unionwide importance in conducting the policy of social welfare and social security of citizens.
10. Management of target programs.

Efficient operation of a market economy requires prerequisites, which have to be created in the transitional period. They constitute the functional principles of the new economic system. They are above all the following:

1. Maximum freedom of all economic entities.
2. Equality of all forms of ownership.
3. Competition of producers.
4. Freedom of pricing with state control only for a restricted group of commodities.
5. A market for manpower and a financial market in addition to the commodity market.
6. The open nature of the economy, and other things.

The regulated market should be understood to mean that it is in need of state and public regulation, above all from the standpoint of averting such adverse phenomena as inflation, unemployment, excessive differentiation with respect to property and social welfare, instability of production, and the disproportionate development of individual regions. As stated in the Basic Directions, the state conducts macroeconomic policy and is mindful of

the interests of society, the interests of the working people, the workers, the peasants, the intelligentsia, and employees.

The republic's transition to a market economy cannot be looked at separately from its economic and political sovereignty which would be exercised within the framework of a renewed federation.

Kirghiz SSR is joining with the other republics in the Union on the basis of a treaty defining mutual obligations of the parties, the powers delegated to the Union, and a mechanism for protecting the republic's rights and interests. The prerequisites for concluding the treaty on union, the political and economic guarantee of this protection, are the Declaration on State Sovereignty of Kirghiz SSR, which assigns to it, as stated above, the exclusive right to legislative regulation of the possession, use, and disposition of all national wealth located on its territory, and it is that that serves as the material basis for the proclaimed state sovereignty. Kirghiz SSR has the right to its share in the wealth of the entire Union created at the time when the treaty is concluded, including its share of the country's foreign exchange holdings and gold reserves.

As a member of the Union, Kirghiz SSR assumes the obligation to observe unswervingly the terms of the treaty, which must be observed correspondingly by the union state as well. Laws guaranteeing its economic and political sovereignty and protecting the political and civil rights of all its inhabitants must take precedence on the territory of the republic. At the same time, union laws regulating and realizing rights and functions which the republic has delegated to the union-wide state would be valid on the territory of the republic.

As is evident from what we have said, what we are aiming at here is for all the functions and powers of the sovereign republics to be performed on the basis of an effective division of functions between the republic and union levels and the precedence of laws according to the divisions and delegated powers. Our opinion is this: If we want to be a strong and monolithic Union of Sovereign States—the USSR, and we do want this and do not see any other progressive social road for development of the country, this means that laws have to be unswervingly executed at all levels. You yourself see what is happening in other republics, that the laws are not being carried out. The system is splitting asunder, it is being pulled apart on an ethnic basis, and chaos and anarchy are dominant. Is this what we need today, comrade deputies?

In our view, the Basic Directions correctly recommend forming the budget of the Union and republics. This was the subject of a serious dispute in previous versions of the program. The procedure for formation and use of the budget of the republic is determined by the legislation of our republic, we independently draft and use the system of taxation, levies, and mandatory payments.

Since the union republics delegate a number of powers to the Union, its budget is formed from union (federal) taxes. At the same time, tax rates and the things which are taxed are cleared with us.

We need a unified and strong Union, with a budget, and with laws that take precedence concerning those functions which have been delegated. But because our republic's budget is unbalanced, given the historically shaped economic structure, we are insisting that the tax rate be differentiated in the transitional period.

This approach results in large part both from the republic's starting conditions in making the transition to the market and also from the measures for social protection of the workers and indigent strata of the population in the transitional period. The low starting level of socioeconomic development places the republic in a very serious situation. But it would be incorrect to relate it to the legacy of the prerevolutionary past, as some people do. The reason lies elsewhere—in the deformation of the union-wide division of labor, which has meant that a number of republics, including Kirghizia, have been in the role of an appendage supplying raw materials. What is more, a third of our enterprises, as a rule the large ones, have been subordinate to the Union and until recently did not share in forming the republic budget and commodities market, nor did they render services to the public, and they provided practically no help to the republic in solving social problems.

So, perestroika has awakened us from a deep sleep, is helping us to recover from a state of shock, and is liberating us from the dictate of the departments. There have been quite a few constructive changes in the republic. But unfortunately they do not outweigh the immense load of problems that accumulated in the period of the stagnation.

Judge for yourselves. Kirghizia has about 140,000 unemployed. More than a third of the population have a per capita income of less than 75 rubles per month or live below the poverty line. The level of per capita national income is 53 percent of the union average. There are 120,000 persons on the waiting list for improved housing and improvement of housing conditions. Incidentally, in our republic 50 percent of all housing activated is financed by the personal sector (in the country as a whole, the proportion is 17 percent), 35 percent of schoolchildren attend schools with two or three shifts (in the Union as a whole, 80 percent attend schools which do not have a second shift), the relative adequacy of kindergartens is 35.2 percent (58 percent in the Union), the adequacy of hospitals and outpatient and polyclinic institutions per 10,000 inhabitants is 116 beds and 120 visits per shift, respectively (131 and 184 in the Union). There are not enough roads, water supply systems, or medicines. Infant mortality is high. Even though in recent years it has been dropping.

Is a population whose per capita level of consumption of the principal foodstuffs is 50-60 percent of the union



average and standard to blame for the production of cotton and sugar beets being maximized to a monstrous level? They have not left a single plot of land to grow vegetables and animal feed (which represents meat and milk). There was a categorical ban on allocation of irrigated land to private housing construction. This was taken to absurd lengths. And it is exceedingly difficult to correct this.

That is the level of the republic's starting conditions. Is it fair to blame this lag on us? This is the price we are being made to pay, general misery and pain. Under these conditions, there must be guaranteed compensation in the form of targeted straight support to equalize the starting conditions of socioeconomic development, especially in construction of housing and facilities for social, cultural, and everyday services, and there need to be targeted financial appropriations and allotments of physical resources in the form of a state order. In our view, this requires creation of a Union Special-Purpose Fund for Regional Development and Support. It would be possible from that fund to effectively solve both the problems of equalizing the starting conditions for the transition of a number of republics to the market and also social protection of the population, including the indexing of its income. This is our position, and unless this problem is solved, unless there is a definite guarantee, we should not give our consent to the transition to market relations. At all levels we are putting these questions to union authorities in writing and by word of mouth. The Basic Directions adopted in the last session of the Supreme Soviet pointed out that this problem would be solved.

Funds are also being provided for in the budget of the Union to service the country's external and internal debt and for the reserve fund.

The Foreign Exchange Fund of the Union is being created in order to finance the foreign economic activity of the Union for performance of the powers delegated to it.

A radical economic reform is being carried out by means of the market economy to overcome the crisis of the socioeconomic system. It has been proposed that an Interrepublic Economic Committee be created under the USSR President to carry out the program and coordinate the actions of all the union republics.

Once the Supreme Soviet approves the draft of the program, the main task of the republic's government in the near future will be to speed up performance of the radical economic reform. The purpose of the reform is to create over the next 1.5-2 years the foundations of a market economy, even though the transitional period will last 5-6 years. This period, especially the first 1.5-2 years, will become a powerful lever for overcoming adverse trends, for improving matters in the consumer sphere, and ultimately it will serve to man's benefit,

instead of harming him. We do not suppose that adoption of the fundamental principle "to each according to his work" will take place painlessly. Especially not in the early going.

The draft program defines the priority measures of practical organization related to the transition to market relations in the immediate future—during the remaining months of 1990 and in 1991. They will be spelled out in the process of further work and as practical experience is gained.

The main thing is that we have to normalize the consumer market. Doing this means tying up money, and that requires a strict monetary and credit policy aimed at financial thrift. This means:

- an audit has to be taken and all income and expenditure items reassessed;
- investments in production facilities have to be minimized;
- construction of all industrial projects is to be halted except those producing consumer goods;
- an inventory is to be taken of all unfinished construction projects;
- nonproduction expenditures are to be reduced;
- as of 1 January 1991, all forms of subsidies are to be halted to institutions and economic entities, leaving subsidies in place only in exceptional cases with permission of the Council of Ministers, and then for a short duration;
- costs of the state apparatus at all levels have to be reduced. Everything must be thoroughly and exclusively based on cost recovery;
- retail prices are to be brought in line with the true price;
- foreign economic activity is in need of significant invigoration;
- there will be more unrestricted market prices.

Over the next two-three years, plans call for floating an interest-free loan for individuals to obtain goods which are in short supply (machines, television sets, and so on), along with many other measures.

As the transition is made to market relations, consideration must be given to the republic's insufficient level of preparation (in both economic and psychological terms) for such a radical change in the model of economic activity and the low competitiveness of our products. But for a republic like ours survival and success on the union-wide market will be determined by the time it takes to fit into the market economy. The faster we are able to accomplish the transition and increase the competitiveness of our products, the more confident and calm we will feel in the context of the union-wide market. It is advisable, then, to adopt a strict schedule of the transition to the market, with clearly established deadlines for accomplishing the measures which are outlined and to monitor their fulfillment strictly. Just as soon as the Supreme Soviet and people approve the transition to the market, we need to act decisively and

quickly, intelligently, of course, without breaking our neck, without striking the pose of critics, without vacillating, without losing time in idle doubts.

We feel, comrade deputies, that this is not only a plan of action for the government, but also a platform for the activity of the entire people. It is the people, acting in line with their own interests, not the instructions of the government, that must become the principal driving force of the reform.

Individuals and their associations are being granted an entire range of rights to engage in any economic activity not prohibited by law. The state provides people protection of their economic activity both against disloyal competition and also against organized crime.

The material basis for exercising the rights to economic freedom is the process of denationalization and demonopolization of state property. Workers are being afforded the possibility of independently taking part in economic processes, of acquiring unprofitable enterprises and farms (on a collective basis), bakeries, laundries, stores, restaurants, and many other small enterprises, which in the future the state should not be engaged in at all. In certain cases, individuals will be given help, including the granting of credit. Large and medium-sized enterprises will issue stock. The housing reform will make it possible to purchase or lease dwellings and apartments.

The agricultural sector is a component that will have a special place in the government program.

More than 60 percent of the republic's population lives in rural areas. Yet it is in rural areas that the social sphere has been least well-developed, this is where an absolute majority of those not employed in social production are concentrated. In short, the burden of problems on rural areas is heavy.

One fundamental feature of the approach in the government program to rural problems is that for the first time it lays down the principle that rural areas have priority, which is embodied in the economic regulators of economic activity—prices, credits, tax benefits, and so on.

It is very important to bring about the economic conditions for development of diverse forms of ownership in rural areas. The kolkhozes and sovkhozes that exist today, which account for most of the agricultural products produced, are being guaranteed full economic and operating independence in solving all the problems concerning production, sales, and distribution of the products they produce. At the same time, the opportunity must be examined of leasing for life, not including the right of sale, but with the right of bequeathal, that land which is not being used efficiently enough, land which is inconveniently located, especially land in the republic's mountain areas and foothills. The first step toward denationalization of sovkhozes could be using them to set up collective farms of the kolkhoz type with the consent and on the initiative of collectives.

Personal subsidiary farming is to undergo extensive development; in essence, this is the prototype of the peasant farm, which will also undergo development. Every opportunity will be given for development of small industrial enterprise in rural areas.

The government program, then, contains specific steps for maximum allocation of plots of land, for homestead farming, and for development of a processing industry in rural areas. At the same time, provision is being made for the maximum possible development of the social sphere, adoption of target programs for development of the rural rayons lagging furthest behind, and so on. All of this will help to solve the problems of employment and the speediest adaptation of the agricultural sector to market relations.

On the whole, denationalization will be conducted on the principle that broad strata of the workers will take part in it, the forms will be diverse, payment will be made, and monopolies will be combated. We should emphasize here that it is extremely dangerous to go too far in pushing denationalization and privatization. A balanced and thoughtful approach is needed to these complicated processes.

We need to bear in mind the shortage of qualified personnel trained to perform and accept and then adjust highly productive work, the intellectual preparedness of all personnel, and the fact that most of the republic's population lacks savings. We should take into account the extremely low level of the entrepreneurial habits in rendering services, developing trade, especially in rural areas, small cities, and settlements, and so on.

If we thoughtlessly push things, all of this could become much more complicated, it could hold back growth and could cause serious trouble. Along with denationalization, we need to reform state enterprises and lease them, especially to private individuals, and create joint enterprises between intrarepublic enterprises and private individuals. Analogous enterprises can also be set up with the union republic, with foreign firms, banks, and especially directly with private sectors. On the questions of reorganization of the economy, we expect to bring in consultants and experts, some of them from abroad.

In the transitional period, there will be an abrupt increase in the load on the local soviets, which makes it possible during the transition to the market to give the fullest consideration to concrete peculiarities of each area.

Now about the problem which particularly disturbs the population and is extremely important to our republic. I am referring to the guarantees to the public of social welfare during the transition to the market.

The present parameters of the standard of living of our population are very low, as I said above. That is why the

entire system of social welfare is oriented toward creating in the transitional period the necessary conditions for stabilization and then for a rise in the standard of living of the people.

The republic program not only does not do away with the social guarantees that exist, on the contrary, during its fulfillment there will be a real basis for strengthening them. What is more, the program envisages adoption of a number of new social guarantees. It envisages that the following additional forms will be introduced:

the mechanism of indexing income, minimum income will not be allowed to drop, there will be compensation for temporary unemployment, the worker will obtain a differentiated minimum wage depending on his qualification and regardless of the forms of property, he will have the right to own property and earn income from it, and the poor will have the right to social support. At the same time, all the social guarantees are being flexibly adapted to market mechanisms.

The draft program takes into account the proposals of the 16th Congress of Kirghiz Trade Unions concerning the program for stabilization of the republic's economy and the transition to a market economy. Above all, concerning such very important issues as the policy of full and productive employment of the population, the guarantee of compensation for losses to the people from the rise of prices and state regulation of prices of the necessary goods and services, the indexing of personal income, new mutual relations between the republic government and the Federation of Kirghiz Trade Unions, and a number of others.

Comrade deputies! This program which you now have in your hands is not simply concerned with the transition to the market. We do not need a market for its own sake, a market for the sake of a market. A task of greater importance is involved—the formation of a social-oriented market economy, a departure from a declaration about social priorities to a mechanism for accomplishing them. The essence of these mechanisms consists in the diversity and equality of the forms of ownership, decentralization of management of production and consumption through markets, full disposition of property and of the income realized from it.

But there are no rights without duties. Increasing the worker's work activity is becoming the principal guarantee of a rise in his standard of living. That is why industrious and energetic people will have the most to gain under the conditions of the market.

We see the future of the republic's economy in a powerful complex for the production of high-technology consumer goods, a highly developed agriculture with the corresponding processing base, and a large-scale recreation and tourist industry of international importance.

Taking advantage of the scientific-technical potential of the country, the republic, and more advanced states, we

will be able to reduce our technological lag and go onto the market with competitive products.

I have already had occasion to express my ideas that however beautiful and well-supported the program we adopt, unless we undertake effective measures to strengthen discipline and order in production, unless we all accept 100-percent performance of contractual obligations, unless we fulfill the plans of the 4th quarter and the year as a whole to the full extent, we will not create the basis for normal operation in 1991. What is more, we urgently need to activate potential for increasing production efficiency through maximum use of production capacities in place, through reduction of unfinished construction and uninstalled equipment; we need to take steps to increase the shift coefficient, to reduce all the various kinds of idle time and losses, and establish direct ties. If we accomplish these and many other measures, we can count on success, especially in the early going of the transition to the market.

We urgently need to make the transition to the market without a drop in the pace of operation or volume of output of goods, without failures and destruction. It is up to you and me how civilized we approach the solution of this extremely important and complicated problem of the transition to the market. Ultimately, success will depend on our intellectual preparedness. The right thing would be for the Supreme Soviet to adopt in this session a decision declaring a moratorium for 1.5-2 years on the holding of rallies of all kinds, the organization of strikes and work stoppages, the shutting down of transportation and all other facilities that keep life going. Should issues arise, they should be solved on a working basis, we always stand ready to examine them carefully. If the transition is accompanied by all kinds of rallies, strikes, and other rally-related phenomena, then we will, of course, have serious failures and we will not avoid problems, we will be adding to them.

Conduct of the economic reform and the shaping of market relations require creation of a new legal foundation. According to preliminary work that has been done, we will have to adopt more than 20 fundamental laws in a very short time.

In the immediate future, we should adopt legislative enactments on demarcation of the property of the republic, on local soviets, on the tax system, on budget rights, on the peasant farm, foreign economic activity, enterprises, and other laws concerning the fundamental aspects of the evolution and regulation of market relations, which have been prepared by the republic's Council of Ministers. Unless the appropriate legal foundation is created, the conduct of the economic reform could be delayed, and this would compound the already difficult situation in the economy and would make it impossible to overcome the growing social crisis.

The operating procedure of the republic's Supreme Soviet and customary practice in legislative work do not make it possible to furnish the juridical basis of the

economic reform within the time necessary. That is why we feel it advisable to delegate to the Presidium of the Supreme Soviet the right to adopt legislative enactments on certain matters requiring a prompt decision in the form of ukases of the Presidium of the Supreme Soviet. To that end, we propose expanding the powers of the government in the area of regulating the legal foundations of the economy by granting it the right to put in effect normative documents and regulations concerning the process of evolution of the new economic relations.

Formation of the fundamentally new system of administration will follow the strategy of replacing old organizational structures with new ones capable of operating efficiently under the conditions of market relations. What is more, in the transitional period those bodies, old and new, may for a time exist alongside one another, we will have to do this if we are to prevent the economy from becoming unmanageable.

During the period of carrying out the reform, the executive bodies of government carrying out the reform acquire exceptional rights within the limits of their jurisdiction. It is essential to draw a clear line of authority between the legislative and executive branches.

The new bodies for management of the economy must be created in the very near future, the entire process of reorganizing the system of management will continue during 1991. So that this process can take place continuously, the Presidium of the Supreme Soviet will on the basis of the program, once adopted, make relevant decisions to reorganize the management structures. The government will submit specific proposals on this matter before 1 December of this year.

Comrades!

The crucial nature and newness of the tasks that confront us require that we take important steps related to the fundamental retraining of managers and specialists at all levels. The government of the republic is taking the necessary steps in that direction and is planning the most diverse forms of training, including business games in which Soviet and foreign specialists in the field of market relations participate.

The transition to the market that has been outlined is a complicated process, it touches upon the interests of all the strata of the population, it is not possible to simplify the situation, preparations have to be made for serious trials. The republic's government acutely feels its very great responsibility for prompt performance of the extensive and complicated preparatory effort, for providing firm guarantees of the social protection of the population and reliable mechanisms for realizing that protection. In this activity, we cannot allow ourselves slowness, nor hasty steps that have not been thought through. The program of reforms can be carried out only if it receives the support of all the deputies, all the people, all the workers; it will be in line with their interests.

In order to carry out the full range of measures, which are sometimes very harsh and painful, the republic's government needs the full confidence of the people and of the deputies here representing the people. It is possible that during realization of the reform Kirghizia's economy will find itself on the verge of unmanageable processes. That is why the government is appealing to the people's deputies with the proposal for close interaction and support of one another.

Comrade deputies!

I have reported only on the basic approaches and provisions of the program of the republic government. Each of you has it in its full form. We await your objections and proposals. They will be summarized and taken into account in our work. We call upon the Supreme Soviet to pass this program.

Thank you for your attention.

**Latvian Economics Committee Head on Reforms**  
*914A0157A Riga LATVIJAS JAUNATNE in Latvian*  
*30 Oct 90 p 2*

[Interview with Ojars Kehris, chairman of the Latvian Supreme Soviet's Economics Committee, by Ainars Erglis: "Why Is Economic Reform Delayed?"]

[Text] The days when the people of the Republic followed the passing of laws by the new parliament with unswerving eyes are over. Nevertheless, interest in that which is accomplished in the sphere of economics has not disappeared. What does the future hold in store for us?—That is what I asked the chairman of the Supreme Soviet's Economics Committee, Ojars Kehris.

[Erglis] What laws will you be passing in the near future?

[Kehris] First and foremost—on property. The program for the conversion and privatization of property includes the privatization of buildings and industry, denationalization, the transfer of property to other republics on the basis of interstate treaties, etc. In order to accomplish this, it is imperative that all properties of Latvia be inventoried, distinguishing between that which was built in the 20's and 30's, and that which was built under socialism. Upon review of the government's program, the distribution of private property was criticized above all for the slow pace that had been planned—the government program makes it clear that we will continue to be an administrative socialist state. The principles of privatization have not been completely worked out yet, especially with regard to the return of property to former owners or their heirs.

There is a great hullabaloo over the tax bills, especially at the municipal level. The bills submitted by the government are being reviewed in committees. The main problems are: Has the role of municipal government in the assumption of power been given enough consideration? How will spheres that should not be subject to market



effects be protected—such as the development of culture, education, the whole of our intellectual resources, and of engineering and technology, preventive health care, sports, and physical education? Are we so wealthy a nation as to set high taxes? I am opposed to high income taxes. Those who draw from the example of the severe taxes of Sweden, forget that the activity of enterprises there is many times higher. In Latvia, those who can and want to, must be allowed to work. Propaganda is essential—we must convince especially the Latvians that entrepreneurs—who up to now have often been oppressed—are now necessary. We must rehabilitate people punished for economic crimes—those who, being enterprising individuals, established underground production facilities—thereby filling the gaps created by shortages—and reaped profits. In a democratic state, they would make excellent company heads. I have always believed that an honorably working person who makes 200 rubles a month in the employ of the state is by no means better than the person who searches for an opportunity to make more. If a young person, instead of trying to make enough money to build a house, stands in line to buy a bottle of vodka against a ration card, then this is the “reward” for the way one’s conscience has been molded up to now. Using taxes, we must stimulate all kinds of enterprising activity.

One must understand that a market economy without merciless competition is inconceivable. People’s incomes must be differentiated. The years of Soviet power have proven just how effective a brake levelling is. Of course, this competitive struggle must not involve those unable to compete—invalids, families with many children, college students, and others.

In establishing the size of taxes, we must not operate along the lines of, if a certain branch is wealthy, it must pay higher taxes. We must provide the opportunity for it to become even wealthier, rather than drawing it closer to an inferior one. In setting taxes for cultural undertakings, we must determine whether it is an open-air theater performance, or a concert by the group “*Laskoviy May*.” Clearly, we can and should set a higher tax on the latter.

We must understand that we will not succeed in passing these laws in an ideal manner—we have neither the experience, nor the time. It won’t be any tragedy if, after having been passed, laws get edited later on.

As for the budget, the main thing here is the restriction of maximum potential—maybe even the freezing of a few construction projects. I believe that the redistribution of means should take place only in the social sphere. In production, this function must be left to the market—banks, interest, and the like will help. In order to move in the direction of a market economy, a law was passed on the activities of enterprises. It says that all enterprises must change their activities in accordance with the law by 1 July, or else they may be dissolved. The Ministry of Justice must rescind those laws which are in contradiction to the newly ratified one. From this law stem the others—on joint-stock companies, share companies, etc.

It is important that without delay, a law be passed on the restriction of the rights of monopolies and on competition. I patently disagree with the view (propounded in the Ministry of Economics) that in a country as small as Latvia, such a law is not necessary. Of course, it will have its own peculiarities. One can’t talk of a market economy when 70 percent of the production in our republic is produced by enterprises that are in a monopoly position. These monopolies were created by a state apparatus that for the sake of a convenient system for giving commands needed one main entity in each branch. Many enterprises were put under one hat. This system can only be eroded through administrative means—the market is not able to destroy that which it did not create. Unfortunately, for the time being, neither our committee nor the government has this bill—its basic form is only now being drawn up in the Ministry of Economics.

[Erglis] I have often heard people wonder at the fact that the government has actually increased, rather than decreased, the number of ministries.

[Kehris] Unfortunately I must admit that indeed, since 4 May, many Latvian SSR ministries have been transformed into ministries of the Republic of Latvia, preserving their former essence. Their apparatus is not objectively interested in the decentralization of the economy and demonopolization. People who suffer from this “apparatus disease” feel that the Moscow bureaucracy has only to be replaced by a local one, and everything will be fine. The disease should be suffered in as mild a form as possible—by transferring power to the municipalities.

Many do not understand the essence of the market and, wishing to achieve one thing, have caused another. Our committee regrets that in parliament we did not defend a government structure in which there would be fewer ministries, and did not demand that, as new ones were created, old ones be dismantled. Thus, we caused there to be obstacles. But one must understand that in the political instability that reigned following 4 May, we could not afford to “quarrel” over our government’s program, and the matter was essentially put off until a later time...

[Erglis] Your committee is to review the bills drawn up in the Ministry of Economics. How do you assess the work of the Ministry?

[Kehris] Despite an overall shortage of cadres, there are many smart specialists in the Ministry of Economics; the problem is that the Ministry of Economics has too many functions. Initially the intent was that it could become a ministry of the national economy. There would remain a need for ministries of many economic branches. And another thing—now just as before, many interbranch matters can only be resolved by the premier or his deputy.

Myself, I’ve participated in the work of the Council on Economic Reforms for a whole year. The problem is that we did not work productively, but rather, discussed

things a lot. Everyone should work in coordination with both the Ministry of Economics and with us—then there would be no need for endless review at all levels.

[Erglis] One also hears Critical remarks regarding the work you head in the Supreme Soviet's Economics Committee. What opportunities are there for improvement?

[Kehris] Up to now, our committee has mostly been occupied with the review of the bills that were submitted, of which very many had piled up. At this time we would like to take on more responsibility in the drawing up of laws itself. Of the 18 deputies belonging to the committee, 11 work full time at their main jobs, and there are two consultants and one secretary. We would like to augment the committee by inviting a few lawyers who are interested in economic reform. Then we could review the economic bills by ourselves, without the Legislative Committee in addition. But there are 18 lawyers in parliament, and they are needed everywhere.

In any case, one must understand that economic reform must be accomplished more swiftly. After all, there are branches where it's not as though everything must radically be changed. Economics is completely different—laws can't work if at the same time the old ones remain. That would be like wanting to switch traffic to driving on the left, and initially having 100 cars drive on the left, while the rest remain in the right lane. Laws must be passed more swiftly. It will be possible to make corrections in them later. Without experience, we will not succeed in finding the optimal variant by merely discussing things. After all, people are waiting for real laws, not scientific discussions.

#### **Lithuanian Premier on Privatization of State Property**

914A0171A Vilnius EKHO LITVY in Russian 7 Nov 90  
pp 1, 2

[Statement by Prime Minister of the Lithuanian Republic K. Prunskiene: "Privatization of the Economy of Lithuania: Sequence and Alternatives of Action"]

[Text] The decisions proposed in the government's program, which directly corresponds with the laws of the Supreme Soviet, and presented in the draft Law on the Privatization of State Property require public discussion and detailed review in the Supreme Soviet.

The discussion of the text of the program as a whole can turn into endless debates that do not always produce clarity or specificity and, with the differentiated joint search of insufficiently consolidated groups, may also not lead to logical and correct decisions that correspond to the interests of the majority of the people.

On the other hand, there are not and cannot be undisputed programs or individual positions of them. Constructive discussion is therefore mandatory for the viability of any program.

The problems in the privatization or denationalization of property, being especially complex, cannot be resolved in an arbitrary manner. For example, one cannot discuss the application of the investment check without resolving the question of the succession of the right of ownership or resolve any of the questions separately from the others.

In encompassing the totality of the problems in privatization, we must determine the sequence only for the most important questions, without which specific details lose their meaning.

The basic position is the legislative program aims of the Lithuanian Republic on the right of ownership as the basis of the economic system. The recognition of the diversity of forms of ownership and their legal equality did not become the key for the realization of the privatization of the economy, for the question of the connection between former and present citizens of Lithuania and the former and present property of Lithuania has not been resolved. One should therefore begin precisely with a step-by-step unraveling of the tangled knot of problems in the following sequence:

1. The succession of the right of ownership of the property of the Lithuanian Government is recognized. All of the property of the former state and kolkhoz-cooperative economy is declared to be the property of the Lithuanian Republic.

2. A legal enactment is passed on the denationalization of the state property of the Lithuanian Republic, with the exception of a fund of state property formed simultaneously.

3. As the state's renunciation of the denationalized part of property, the act on denationalization is realized through privatization, which includes citizens of the Lithuanian Republic and foreigners acquiring property within the limits established by law.

4. A legal decision is made on the succession of the right of physical persons possessing property to be owners.

#### **Alternatives:**

- a) The succession of the right of ownership by physical persons is realized through the succession of the right of ownership by the Lithuanian State (all citizens), including the right to forfeited property and property that is newly created but alienated by another state. Citizens are compensated for this forfeited property without establishing the specific amounts of losses;

- b) The succession of the right of ownership by physical persons is recognized to be a subright for the return of property or the receipt of compensation (to all

former proprietors or only citizens of the Lithuanian Republic or its inhabitants), with the alternative being:

- to all current citizens;
- to all those who have lived in Lithuania no less than five (or x) years;
- to current citizens (or those living there) who prior to the occupation of Lithuania were inhabitants (proprietors who lost property);

c) The state does not take on the obligation to satisfy claims (with some exceptions: exiled persons and peasants establishing private plots); losses are not compensated.

5. If alternative 4 (a) is adopted, a decision is made on the amount of the portion of compensated property (30 percent of the privatized property or some other portion). It is determined in which cases compensation can be given through the return of the lost property in kind (land, house, etc.), making an exception to the general principles.

Alternatives are sought in the establishment:

a) of the quantitative expression of the share of the property to be denationalized that is intended for compensation, in percent (it is proposed to be 30 percent of the privatized property);

b) exceptions for the return of property in kind:

(only land for the purpose of agricultural production; land and dwelling houses, etc.).

In the event of the adoption of alternative 4 (b), a mechanism is created to satisfy the claims of former proprietors for the return of their property. Possible limitations are set on the return of property or cases in which it is not returned.

In the event of the adoption of alternative 4 (c), denationalization takes place through the sale of property without compensation—(zero version).

6. In specifying the decision under point 4, it is also stated that in the event of the adoption of alternative 4 (a) a decision is made on the specific means of privatization for the realization of compensation in combination with a sale; there is also discussion and proposals on the widely discussed application of an investment check payable to a named person. The latter combines the integrated compensation of losses with the possibilities of the establishment of private investments of a proprietor interested in acquiring ownerless property.

The alternatives:

a) The use of an investment check is approved as a means of privatizing part of the property;

b) Instead of an investment check, an essentially (but not nominally) different mechanism of compensation is proposed that does not hinder active entrepreneurs from showing themselves.

7. In the event of the approval of the use of an investment check (payable to a named person), a decision is made on its combination with another (possibly more extensive quantitatively) means of privatization—the selling off of part of state property.

The alternatives for the use of the investment check are:

a) The investment check (payable to a named person) may be used for the acquisition of state property of all kinds and spheres (without restrictions or with some restrictions: in which cases the investment check cannot be used to settle accounts for land or other objects of exceptional importance);

b) The investment check may be used to settle accounts for no more than two-thirds (70 percent) of the value of acquired property; it is possible that this condition will not be applied, for example, in the acquisition of the apartment in which the citizen lives or other property.

The alternatives for differentiation in the issue and size of the investment check:

- only to adults (depending upon the content of the decisions of 4 (a));
- to all adults equally;
- to all adults depending upon the length of service (labor record and wages);
- to all adults equally (coefficient 1) and to children (coefficient 0.3 or other).

8. Special features of privatization in the agrarian sphere. It is acknowledged that the rural inhabitant has the opportunity not only to make investments in agricultural production but also in the establishment of facilities for services, crafts, processing and other economic facilities. In such cases, the investment check must be universal (this does not mean that one must not apply closed mechanisms for the privatization of property (auctions)).

The priority of the privatization of agriculture and the support of former or future peasants engaged in it is (not) acknowledged. If it is acknowledged, a decision is made:

a) on the system for the return of the land to proprietors who have again received the right of ownership and who obligate themselves to engage themselves in agriculture (the manner and period of the obligation is determined); when another peasant has settled on a given parcel of land, a parcel of similar value is offered, in every case with the possibility of choosing an investment check;

b) on the granting of compensation (an agrarian investment markup) exceeding the value of the general (universal) investment check: depending upon the property and financial status of a specific farm or to all workers in agriculture (having worked no less than 5 (10; n) years; or to all who will farm and work.

9. Privileges are specified for workers of agricultural enterprises to be privatized.

Small handicraft or trade enterprises or enterprises in the services sphere oriented toward local requirements are sold in the first stage.

The alternatives:

a) preference is given to people working in the enterprise as the present time:

- to those acquiring a personal enterprise;
- to those establishing an economic association
- regardless of the type of enterprise;

b) preference is not necessarily given at this time to workers but to those who pay the most at an auction. The proprietor obligates himself for a set period (six months, one year, n years) to preserve jobs for current workers under the hiring principle and not to change the specialization of the enterprise or he acquires the enterprise without the mentioned and other obligations.

10. The mechanism for the privatization of large enterprises may be tested in practice in the sale of several enterprises and then the appropriate corrections may be made.

Basically large enterprises must be joint-stock companies with the sale of shares of stock at an open auction.

Alternatives are primarily in the following areas:

- in making a decision on the percentage of shares controlled by the state depending on the importance of the enterprises for general state interests;
- in determining how the priority of workers is realized: what share may be sold through subscription or other means to workers under preferential conditions or those prevailing at the auction and what are the conditions of possible credit;
- in looking for means to attract foreign investors.

After the Supreme Soviet votes on the most important decisions, some of these aspects and many others not enumerated are specified through documents of the government or its subdivisions for privatization and other subdivisions. Especially important in this process is dialogue both with those who will carry out the decisions as the subject of state executive authority and with those for the benefit of whom all of this is done: with the inhabitants of Lithuania as individual citizens, with future subjects of the process of privatization and current labor collectives and with workers in enterprises to be privatized. Here the individual person in Lithuania receives at least two or several roles. The privatization program is prepared while renouncing the Soviet treatment of people as manpower and the quest for pseudosocialistic justice, which makes the interests of labor collectives absolute. For this reason, privatization will be carried out under the following principle: state—private person or state—private person—voluntary group of private persons.

Privatization through the combination of the sale of property with its acquisition utilizing an investment

check is not mercy given to people by a "kind" state or its authorities but is a means of establishing viable economic foundations on the basis of the developing individual and industrial freedom that can be organized through the market and competition.

To love people is not only and not so much to strive to iron out all of their previous hurts but above all is to establish for them the preconditions for human life and the possibility of the free choice of a future way of life and the realization of their capabilities.

### Tajik Chairman on Transition to Market Economy

914A0061A Dushanbe KOMMUNIST  
TADZHIKISTANA in Russian 13 Oct 90 p 2

[Speech by TaSSR Council of Ministers Chairman I. Khayoyev at the Plenum of the CPSU CC: "How We Are Going To Move Toward a Market"]

[Text] Respected comrades! The central question now is how we are going to move toward a market. Through the united efforts of all the republics, through regional groupings, or, yielding to the mounting pressure of centrifugal forces, on a separatist basis. We are in favor of the first path. No single republic is capable of resolving the crisis on its own. Therefore both the Declaration of Sovereignty of the Tajik SSR and the action program of the Tajik Communist Party passed at the congress emphasize that the republic is going to implement actively a policy of strengthening and developing a revitalized Soviet federation. Bearing in mind the extraordinary situation that has come about in the country, the party must keep at the center of its daily practical activities the problems of consolidating all the forces of the society and the peoples of the country; it must ensure their political and economic integration on the basis of mutual interest and equal partnership, acknowledging common problems.

In approaching the draft program we address first how fully it reflects the objective necessity to unite the forces of all the republics, which, in our opinion, must be reinforced in the Union Accord, and second how fully it takes into account the initial conditions and possibilities of the various regions.

In our view, the draft does not take into account the essential foundations for building a market economy with respect to the characteristics of the various republics and does not have a concrete mechanism for reconciling their interests.

There has been much speculation around this topic. Some say that the republics, like Tajikistan, whose economies have a raw materials orientation, are dependents and debtors; others are calling to stop feeding them



We are categorically opposed to this type of approach. The issue of initial conditions is one of social justice, and in forming a market economy it has to be resolved.

In this regard I would cite the fact that in Tajikistan, per capita capital investment, as well as meat and milk consumption, are lower than the Union average by a factor of 2.2; provision of housing by a factor of 1.7. Perhaps we work badly, but certainly not by a factor of 2.2 times worse than the Union average.

When small republics are not provided with a significant quantity of the resources they do not possess, their economies get into trouble and all plans and programs crumble.

As a first step toward stabilizing the economy, we must ensure a guaranteed minimum of mutual resource provision, utilizing all the mechanisms of regulation and influence. We need to establish for the transitional period strict responsibility for nonfulfillment of contractual obligations. We must act in the most decisive way possible against the spreading tendency to naturalize exchange and the phenomena of extortion and monopolist dictates. The issue of the responsibility those who participate in the movement of resources and goods must become a central link in ensuring managers' effectiveness.

We are in favor as well of retaining relatively strong positions for the union budget and of the mechanism for redistributing financial means for specific social programs and all-union tasks continuing to function. This is the direct function of a federative state, especially at the stage of its development when it is necessary to overcome old deformations and construct new, effective structures for the economy of each republic and the Union as a whole.

Therefore we believe that a federal tax is essential, but on condition that the Union be invested with precise functions in the sphere of equalizing initial conditions. The Union must have a powerful fund for regional development and subvention. All measures for stabilizing the economy and making the transition to the market must, in our view, be differentiated. Thus, the proposal for the draft program to conserve the productive sites and curtail productive investments, which treats everyone alike, must not be implemented. For Tajikistan, for instance, as for all Central Asia, productive investment is the sole path to creating new jobs and to solving the problem of employment and surplus labor. About half a million of our people are unemployed, and each year 50,000-60,000 are added to that number, but from the point of view of market relations it would actually make sense to lay off workers.

Therefore we must have an all-union employment program for labor-surplus regions. How can we agree to universal curtailment of financial support industries that produce little or no profit? Wouldn't it be more correct to proceed from the role and place of these industries in the national economic complex? Take the mining

industry. It makes little or no profit, but only because all its value is contained in the end product, which is acquired in other regions of the country. Extremely important is the question of economic relations connected with forms of landownership. Here, too, we favor a differentiated approach. We feel that whether or not land is sold for private property, the issue needs to be resolved not by an all-union referendum, as some propose, but separately in each republic, taking into consideration its historical traditions and natural conditions. Suffice it to say that in our republic, which lacks sufficient arable land, where 93 per cent of the territory is mountains, and where there are only 10 hundredth parts per capita—and, moreover, the population is growing at a rapid pace—the sale or resale of land for private property seems a grave mistake. And almost all of Tajikistan's peasants support this. It is of principal importance and very correct that the selection of specific paths and forms, of scales and speeds for degovernmentalization and privatization, be determined by those who own the property.

We need to take into account the real conditions and economic-organizational structures, the level of personnel security, and the psychological preparedness of the population and its possibilities. In our republic, for example, the basic funds total more than 20 billion rubles, of which 13 billion are productive, whereas the population's monetary accumulation amounts to 2.6 billion rubles. And if 50 per cent of these go to acquire state property, then the population's property may amount to only 7-8 per cent of that.

The natural conclusion is that the deadlines for degovernmentalizing and privatizing be extended, that we not confine ourselves to 500 or 1,000 days.

People are most concerned with the social safety net and with support during the inevitable rise in market prices. Who, other than we Communists, is going to take on the role of defender and actively introduce draft legislation directed at buttressing social justice?

For example, why not pass a state act protecting all forms of personal savings and raising the interest rates for their bank deposits? Right now there is a terrible drain of savings held in savings banks.

We are in favor of a bilevel system of social defense, wherein the Union would provide minimum guarantees, which are especially important for the population of republics with a low standard of living.

In our opinion, it is essential that we establish for the transitional period firm retail prices for the most important foods: flour, rice, tea, sugar, vegetable oil, and a few others. Moreover, in this period we must also retain centralized distribution of the most important food goods. This is dictated by the necessity of guaranteed supply, independent of the producer, of these for the entire country's population.

In addition, it does no good for either the republics or the country to reject the all-union distribution of labor we have, which permits us to utilize the natural and climatic conditions of the various regions in the general interests of the Union.

Why, while worrying about self-sufficiency, must we cease our twice-annual harvests, thereby cutting back on the supply of fruits and vegetables to the all-Union funds? On dry-farming land, where we get 100-120 centners of grapes with a 28-30 per cent sugar content, is it to our advantage to plant grain, from which we get 5-6 centners per hectare?

We can supply ourselves with food and forage grain, meat, and milk, but only by cutting back cotton production by two thirds. Who wins from that? Won't many enterprises in other republics where Tajik cotton is processed into various end products object to that?

In short, we are in favor of retaining the distribution of labor we have, and we believe that administration of the processes of goods flow is an absolute necessity. We cannot reject everything we have out of hand. That kind of approach does nothing to solve the tasks before us; on the contrary, as we know from experience, it becomes a brake. We have to have a thorough, balanced, radically conservative, consensual approach to everything.

#### **RSFSR Parliament Debates Ownership of Republic's Resources**

914A0061B Moscow PRAVDA in Russian 1 Nov 90  
Second Edition p 1

[Article by Ye. Sorokin: "In Russia the boss is Russia"]

[Text] Yesterday's session of the Russian parliament began with a discussion of one of the most important bills to come out of the Declaration of Sovereignty of the RSFSR. The topic here is the provision of an economic basis for this sovereignty.

The draft law so named provides that the land and the minerals, water, forests, flora and fauna, and other natural and raw resources distributed over the territory of the RSFSR are the national wealth of the republic. The procedure for owning, utilizing, and disposing of these sites shall be established by the republic in coordination with the federation subjects.

The draft proclaims that the RSFSR possesses the exclusive right to own, utilize, and dispose of the productive and nonproductive funds of state enterprises, organizations, and Union-subordinated departments located on the territory of the republic as a sovereign state, and of its material and financial resources. The exception is state property belonging to the USSR Ministry of Defense and the KGB.

Of course, a draft is a draft. And the deputies have created a commission to complete it, taking into account the comments made in the course of the discussion.

However, it has already been passed by an overwhelming majority of votes and is unlikely to undergo substantial "correction." This means that Union departments will have essentially no business in Russia.

At the session, V. Khlystun was confirmed as chairman of the RSFSR State Land Reform Committee.

The deputies also passed a law on the formation of budgets in the RSFSR for 1991 and passed at the first reading a draft law on additional authorities for local organs of state power and administration during the preparation for and transition to market relations.

Then the floor was given to RSFSR Council of Ministers Chairman I. Silayev. He set forth the position of the Russian government in connection with the implementation of the economic stabilization program and the transition to market relations. The Supreme Council passed a resolution on this issue.

At the meeting it was announced that the session will take a break from 2 November to 12 November. Deputies will use this time to meet with voters.

#### **Ukrainian Premier on Economic Stabilization**

914A0176A Kiev PRAVDA UKRAINY in Russian  
18 Nov 90 p 2

[Interview with Vitold Fokin by A. Sokol, parliamentary correspondent for PRAVDA UKRAINY: "In the Course of Stabilization: Interview with UkSSR Council of Ministers Chairman Vitold Pavlovich Fokin"]

[Text]

[PRAVDA UKRAINY] Vitold Pavlovich! The public is waiting for normal life to resume. Officially this is called stabilization of economic development and it involves a multitude of problems. Which come first? What does the republic's government intend to undertake tomorrow and the day after?

[Fokin] These are complicated questions. Especially for someone who still hasn't managed to stop by his new office. Can anyone really say when the situation will normalize? The republic is a part of the country; the processes going on inside it are all-union problems. Clairvoyants like Globa's spouses see nothing good in the offing for the next five to six years. Whoever thinks that all it will take is a certain decision for there to be definite progress tomorrow or the day after is mistaken. The situation has been going downhill for at least six years, and no one's going to pull us out of it quickly.

Now about stabilization measures. By the way, the term "stabilization" implies doing everything possible so that things don't get even worse. One such measure, in my opinion, is the steps we are taking to balance the monetary resources of the population with the volume of goods, to protect the republic's consumer market and those most defenseless. And it's annoying that many people, including those in whose interests the consumer

booklet was introduced, have not looked into it all and are reacting unjustifiably harshly to the inconveniences that have arisen, to minor misunderstandings, and are turning a normal, everyday situation into a tragedy. As if we were already going hungry and had no shoes or clothing. And all over the coupons.

[PRAVDA UKRAINY] But they were introduced rather hastily—I would say without the necessary preparation—and that always entails undesirable processes. What provoked such haste?

[Fokin] You're right: the idea was not provided with a fine-tuned introducing mechanism. So why was such an extreme step undertaken so quickly? Because we knew the union government's intentions to begin a step-by-step increase of retail prices. True, we didn't think it would happen so quickly—we were figuring on 1 January. The "unpopular measure" burst upon us today, however. Someone figures: you can live without gold, without caviar. But the substantially more expensive group of goods also includes, say, fur, and what woman has a warm coat without a fur collar? A stabilizing measures was required immediately.

In order to understand the situation better, I'll cite the following data. For every ruble of goods production there are three to four rubles in the hands of the population. To saturate the market, that is, to double or triple goods production, is impossible: we simply don't have the natural resources for that. A consumer booklet could balance citizens' monetary resources and the available volume of goods. It cuts down on previously accumulated funds and guards against speculation. Therefore it was decided to act quickly, not to dawdle.

[PRAVDA UKRAINY] But these actions engendered problems. Apparently the measure that was undertaken is going to be improved?

[Fokin] Naturally. We've already gathered critical comments and suggestions, analyzed all the derogatory letters addressed to us, and are already outlining supplementary measures. We're going to put out, to publish instructions on this subject.

[PRAVDA UKRAINY] A great deal is being said today about the great economic weight of union-subordinated enterprises. What steps does the government plan to take to put their potential to work for the republic, for improving our life?

[Fokin] The boundaries between the concepts "union" and "republic" subordination are blurred. A Law on Property is going to be passed and the situation in general will change. Even now an enterprise has the right to reject the union ministry. An association of enterprises in the metallurgical industry could be created, say. Whose will they be? The republic's, of course. And they'll be working for themselves and for the republic.

This question is complicated. Much remains to be thought out in the mechanism of combining the well-known Law on Enterprise Independence and the republic's economic independence, its Declaration of Sovereignty. It is impossible to go according to the principle of each village having its own chief and his word being law. If we want to build a state, all enterprises have to create the necessary volumes of consumer goods production for the republic.

For this purpose, by the way, we have placed a 1991 state order for the Ukraine.

[PRAVDA UKRAINY] Parallel to the union's?

[Fokin] No. Not parallel: sole. If there is an order from the central organs, we will encompass it in our own state order.

[PRAVDA UKRAINY] What opportunities does the republic have for sharply increasing goods production—everything missing from the shelves today—in the short term?

[Fokin] I can't deceive PRAVDA UKRAINY's readers: the outlook is bad.

In the past, since 1985, the picture for goods production has been like this. The volume of production went down only for meat: by 1.4 percent, to the level of 1985. For all other types there has been an increase of 8-10 percent. The output of washing machines has risen by a factor of 2.5, televisions by 23 percent. But the stores, as you know, are empty.

[PRAVDA UKRAINY] Is this the effect of the population's "extra" money?

[Fokin] Not only that. According to various sources of information, 50-70 percent of all the goods in circulation went into the black market. There, as we know, you can buy anything. But at what a price! Here I would like to bring the reader back to the coupons: they cover over the path of speculation and assume the sale of goods through stores.

During the years we are calling hard, goods production actually grew. And this is what 1991 promises.

For the furniture industry, say, in the coming year we will need 110 million freely convertible rubles, for the processing industry about 100 million, and in all—1.5 billion rubles. These funds were needed in September and we still don't have them: the union government has refused us. Because it turns out they don't have it themselves.

What will all this lead to? At a minimum, the loss of 4 billion rubles' worth of goods. Half of that alone in the light and furniture industries just for the first quarter.

So that there's no cause for rejoicing.

What is to be done? The currency committee formed in Moscow will not resolve this problem I don't think. Its

goal is to find the funds to service the state debt and draw currency from the republics. My opinion—and I'm going to prove it—is that each republic needs to determine its share of the debt—naturally, for specific debts—and let each republic deal with it. Let them work individually with firms, with concerns, with states, and so on. Some will get postponements, some credit. I'm not spreading any secrets when I say that we already have proposals on this score. There is a hope of obtaining favorable credits, including at no interest. But if that does happen, we will only see the results in the second half of the year.

[PRAVDA UKRAINY] Vitold Pavlovich, in our difficult time, a demand is often made for emergency authorities. Don't you think that the government you headed needs such authorities?

[Fokin] Everyone interprets the expression "emergency authorities" in his own way. Let's think about what it means. Where do those kinds of authorities begin and where do they end? The government needs one thing—a vote of confidence. We shouldn't be criticizing its every step, its every decision. We should trust it and help it to carry out the programs and measures it outlines.

[PRAVDA UKRAINY] In responding to parliamentarians' questions, you have noted that government reconstruction is possible. Could you say how significant it might be and how you see the present-day member of government?

[Fokin] Let us begin with the fact that the current organizational structure of the Council of Ministers does not wholly respond, in my view, to the demands of a market economy. The structure scarcely differs from what it was in 1985. Therefore I'm determined to carry out a serious reconstruction. Then we'll select the makeup of the Presidium of the Council of Ministers to carry out the role.

I don't want people to think that I'm intending to drive out the government. I was quite insulted when one parliamentarian expressed himself in that vein at a session of the Supreme Soviet. But it is not excluded that new people might be invited, too. That's natural. As the nature of the work changes, as the principles of economic policy change, so there must be appropriate actors.

#### **Ukrainian Premier on Transition to Market Economy**

914A0132A Kiev RADYANSKA UKRAYINA  
in Ukrainian 31 Oct 90 pp 1,3

[Report on speeches to Supreme Soviet of Ukrainian SSR by V.P. Fokin, acting premier, and V.M. Pylypchuk, chairman of the Permanent Commission on Economic Reform and Economic Management: "The Road to a Market Economy"]

[Text] As already reported, on October 29, V.P. Fokin, the acting premier of the Ukrainian SSR, spoke to the

session of the Supreme Soviet of the Ukrainian SSR about the program for the republic's transition to a market economy. After characterizing the Ukraine's consumer market as totally destabilized and indicating the reasons for the difficult situation of the economy, he stated that the only way to improve the economic position of the republic was complete economic and political independence of the Ukraine and a shift to a market economy, with far-reaching constitutional changes, which would result in a new structure of socio-economic relations and production. Unfortunately, these necessary conditions have not been fully taken into account either in Shatalin's program, nor in the government's program, nor in the President's document, which is called the "basic directions of the transition to the market." We have been compelled to take a fundamentally different approach, which responds to the demands of the declaration of state sovereignty and the law regarding the economic independence of the Ukraine.

The tendency towards a sharp worsening of the crisis in the economy, Fokin continued, has compelled the republican government to resort to extraordinary means aimed at stabilizing the situation. Literally on the last day, the second chapter was added to the program, which lays out the mechanism for the introduction of the ration card, which is expected to alleviate the threat of total confusion of the consumer market. This is a temporary measure, which should be in effect for a very brief or relatively brief period, and which will be abandoned as soon as the question of introducing new money is settled.

The speaker briefly described the stages of the transition to the market. The privatization of property will be done on the basis of a new doctrine: the shift to the market at the state's cost, the return to the people of a significant portion of property and resources, the creation of equal opportunities for all citizens of the republic, an increase in the stake that people have in the results of their work.

The privatization of property will take place in stages. A particular role in the structure of the republic's economy will be played by the basic sectors, in particular, the metallurgical, coal and chemical industries. Characteristic of these industries is a high rate of wear of capital goods, outdated technologies and unprofitability, which would lead to difficulties in privatizing them and shifting them to a market system. For these reasons, it is essential to maintain the industries of those sectors as state property. As part of the process of privatization, it would be advisable to consider the possibility of dividing at least of two-thirds of the capital goods among the inhabitants of the republic, allowing them to buy shares. Subject to privatization are five-seven thousand industrial enterprises and close to 150 thousand commercial establishments. A proportionate number of food stores and small businesses will be taken out of the state sector. The rest of the commercial network, which is now in the hands of the state, will be turned into publicly-owned, collective and cooperative enterprises. This process should be begun during the current year; by the end of



1991, only an insignificant portion of commercial establishments, those selling the most basic consumer goods, is expected to still be owned by the state.

Fokin stressed that the transition to the market system also entails a radical change in the management of agriculture, which would require a land reform. Fundamentally new land legislation has to be elaborated and passed. It is proposed that all citizens who wish it, be granted parcels of land for farming, which they will control permanently, with the right of inheritance, or lease, generally for long terms of about 50 years. These farms would be worked by the individual and members of his family and would not be subject to division, but would have to be passed in inheritance to only one person. The proposed maximum size of these holdings is 50 hectares.

The program foresees the implementation of legislative and organizational measures aimed at demonopolizing the economy. Responsibility for the implementation of this policy will be given to a new government body, the antimonopoly committee. It is proposed that a special mechanism be put into place to regulate the development of foreign business, the conditions governing the organization of joint enterprises and free economic zones on the territory of the republic.

The speaker gave a detailed account of the direction of the reform of the financial-budgetary system, emphasizing that it is based on the independence of the republican budget and the budgets of the local Councils of People's Deputies and spoke of the measures to be taken for balancing the budget and substantial changes in the establishment of market-system credit policy.

The speech emphasized the need to be ready for long-term battle with profiteers and underground millionaires. The introduction of a money reform will inevitably undermine the basis of the shadow economy and will cause unhappiness among certain classes of society, in particular those which are linked to the black market. Those circles will undoubtedly try to create tensions and push the people to social explosion.

The development of the market system requires that an adequate market infrastructure be put into place. The basic elements of that infrastructure will be the market of the means of production, the financial market and the labor market. A system of state regulation of the market system in the Ukraine is to be established. This will make it possible to guarantee the protection and improvement of the environment and develop, within certain limits essential to society, foreign economic activity.

The speech emphasized that it is impossible to introduce the market system without introducing a reliable mechanism of social protection of the population. The basis of the new system of social assistance is the abolishment of any form of leveling and the consideration of work contribution, family status, state of health and living conditions.

Another speech on the same topic was given by V.M. Pylypchuk, chairman of the Permanent Commission on Economic Reform and Economic Management. He said that the Union program for transition to the market does not suit the republic, as in many matters it fails to take into account the interests of the Ukraine. For example, according to the reserve system, hard currency will be bought from enterprises which earn it at a set rate of two rubles for one dollar; later the central government will sell it to us at the market auction price. That is, if they buy 6 billion rubles [as published] of currency from us, we will be paid 12 billion for it. But if we want to buy it back, we will pay 30 billion. So, now, instead of the central command system, they are imposing on us an economic lasso. The contract system that is part of the Union program foresees state regulation of prices at Union levels. But recently the Council of Ministers issued a resolution allowing for varied prices of agricultural products. Thus, high-quality milk is sold in the Russian Federation at 1100 rubles per tonne, and in the Ukraine, at 760. Similar examples can be cited with regards to other products.

The next step should be the privatization of property. But in contrast to the Union program and the one proposed by the government, we plan to firmly control prices. Why? If during the period of privatization, we loosen control of prices, people will spend their money on consumer goods and privatization will be hampered. Then the transition will become impossible, as there will be no competition. For this reason, for the transitional period, until privatization reaches a level of more than 50 percent, prices must be held firm and not changed. Loosening control of prices can be allowed only for goods the prices of which are freed from control in neighboring republics.

Then there is the question of demonopolizing the economy. At present, the republic's internal debt stands at approximately 100 billion rubles. In order to deal with this debt to our own people, we should not merely hand the capital goods to the people, but sell them, in order to pay it off. For this purpose, we plan to hold sales at very favorable terms, with partial payment of certificates and shares.

Then, when privatization reaches 50 percent, or slows down, we should loosen control of prices and introduce our own currency.

Pylypchuk then spoke of divergences between the government program and the program which was prepared by groups of deputies and scholars and which was not considered for discussion.

He said that the government again included in its program Union property and he and Deputy I.R. Yukhnovsky had to do a lot of work to have it excluded. These were military plants, major pipelines, railroads, energy, hot water pipes, telecommunications, the postal service, telegraph and the like.

With regard to tax regulation, he stated that there was a plan to introduce a system based on a combination of the American and Japanese systems, but this was rejected by the government. Also part of the program is the liberation of women from labor, especially women with children. With the appearance of unemployment, women will shift to a four-hour workday.

Another area of essential divergence from the government is in the plan for dealing with hard currency receipts. We favor the idea that the enterprises which earn the currency should keep it. But the government stated in its program that hard currency is owned by the state, which may allow the enterprise to keep a part of its receipts. Also absent from the government program is private ownership of land, which contradicts the declaration and law regarding economic independence.

Also absent from the program, he said, are details about the privatization of farming and the coal industry. The capital goods of the coal industry should go to the miners, and not be sold to outsiders. We are opposed to the idea of freezing mobile funds in bank accounts. We also oppose raising interest rates, because this again constitutes administrative interference in the economy. We need to establish commercial banks and they will set the interest rates, depending on the demand for credit.

Pylypchuk proposed that the Council of Ministers be changed in the program to the Cabinet of Ministers.

Discussion of the two speeches was postponed until after examination of the question concerning the Premier of the Ukrainian SSR.

#### **Ukrainian Official on Role of State Orders in Market Economy**

914A0174A Kiev PRAVDA UKRAINY in Russian  
15 Nov 90 p 2

[Interview with Anatoliy Kuzmich Belyayev, head of the Chief Administration of Material Resources and Balances of UkSSR Gossnab, by PRAVDA UKRAINY editorial board: "State Orders: New Priorities"]

[Text] Right now, when administrative methods of economic management must yield to market relations, a conversation about state orders seemingly would lose all relevance. But no, heated arguments on the subject continue. In the republic's Supreme Soviet, such debates preceded the passage of a resolution: "On the Introduction on the Territory of the Ukrainian SSR of Unitary State Orders for the Production of Output and the Implementation of Jobs (Services)." Judging from this resolution, the arguments of supporters of state orders proved weightier than their opponents'. Consequently, in the economic sphere, state orders will be playing a substantial role, as before. Speaking more concretely about this at the request of the PRAVDA UKRAINY editorial board is the head of the Chief Administration of Material Resources and Balances of UkSSR Gossnab, A. Belyayev.

[PRAVDA UKRAINY] Anatoliy Kuzmich! How do you explain the increased attention to state orders on the eve of the market, the whole idea of which is to do away with administrative principles of economic management?

[Belyayev] Many enterprises have already had a whiff of the market. And by no means all of them are thrilled by it. After all, traditional production links are being sundered, concluding contracts has become more complicated, and there aren't any guarantees any more that production will be supplied with raw materials. State orders, on the other hand, have been called upon to help maintain economic stability during the transitional period, so that we can avoid stoppages and bankruptcies for many enterprises as well as massive unemployment.

[PRAVDA UKRAINY] How do the new state orders differ from the old, which, by the way, frequently provoked enterprise leaders to assert that they lowered production efficiency and fettered independence.

[Belyayev] For the first time state orders are taking shape on a republic level. This allows for greater consideration of enterprises' potential and determines the republic's top priorities. Moreover, tasks are being set for union-subordinated enterprises as well, since now state orders are unitary, worked out with consideration for the republic's sovereignty. Among the most urgent tasks are eliminating the consequences of Chernobyl, developing the agro-industrial complex, constructing housing, stimulating the output of consumer goods, improving the ecological situation, and fulfilling obligations for export and interrepublic supplies.

[PRAVDA UKRAINY] What output specifically is included in state orders?

[Belyayev] That list would take up too much space; after all, we're talking about 516 designations. We can say, though, that it is very important production without which the enterprises simply could not function. It is a crystal grate for the economy that will be realized in articles and goods sold through direct, unlimited orders and contracts.

[PRAVDA UKRAINY] How is it envisaged to get the state order to the specific maker?

[Belyayev] A government resolution instructs the UkSSR State Economics Committee and UkSSR Gossnab to parcel out the unitary state order by 15 November to the ministries and departments of the UkSSR, the oblispolkoms, the Kievskiy and Sevastopolskiy gorispolkoms, state concerns, associations, and other associations, which in turn must within a 10-day period get the corresponding numbers to the enterprises and organizations. As I have already said, this also involves union-subordinated enterprises.

Providing planning documents to serve as a basis for concluding supply contracts between producers and consumers is the job of the republic administrations for wholesale trade and main supply of the UkSSR Gossnab.

[PRAVDA UKRAINY] As we know, in countries with a developed market economy, entrepreneurs dream of state orders. What kind of interest in this is there among our producers?

[Belyayev] There will be genuine interest, of course, only when the total shortage is replaced by an abundance of a variety of output and goods.

Therefore for us state orders must now be reinforced through administrative measures. In particular, it has been decided that for refusing to conclude contracts through existing economic links in compliance with the state order of the Ukrainian SSR, apart from prior responsibility to the consumer, a fine to the local budget will be levied against the supplier in the amount of 50 percent of the value of the refused state order. Losses from shortfalls in production inflicted by an enterprise due to transport and other organizations shall be compensated by the latter in full.

Envisaged as well is incentive for enterprises and organizations that conclude contracts for the supply of output for the needs of the republic. They will be first in line for supplies of necessary material-technical resources, including for housing construction and for sociocultural sites executed at the expense of enterprise funds and bank credits.

Enterprises and organizations are freed up from taxation on the profit from that part of the state order that exceeds 80 percent of the total volume of production if it is less than the 1990 level. The Ukraine Republic Joint-stock Commercial Agro-industrial Bank and the Ukrainian republican bank of the USSR Promstroybank [Industrial Construction Bank] have been instructed to offer favorable credits to enterprises, associations, and organizations that supply output above the volume of state orders for the needs of the republic.

The benefits and sanctions cited must, apart from everything else, help preserve existing economic ties, including for supplies of output beyond the borders of the republic in fulfillment of intergovernmental agreements and export obligations. Only then can the stability of the economy be ensured during this very complicated stage in the transition to the market.

#### **Ukraine's Fokin on Ration Coupons, Republic Currency**

914A0160A Kiev MOLOD UKRAYINY in Ukrainian  
18 Nov 90 p 1

[Interview with Deputy Prime Minister of the Ukrainian SSR, Vitold Pavlovych Fokin, by Valentyna Pysanska: "We Have the Score, Now We Need Experienced Musicians. This Was the Last Interview by V.P. Fokin in the Position of Deputy Prime Minister. Now He is the Prime Minister of the Ukrainian SSR."]

[Text] The first, inevitable, question is about the coupons.

[MOLOD UKRAYINY] Vitold Pavlovych, you know how consumers interpret the word "coupon?" They say, in Russian, "This is how the Ukrainian government has cheated the people."

[Fokin] That's humorous, but unfair. I am convinced that the coupon system is the only method at present which may enable us not to avoid, but at least try to avoid, the inevitability of an increase in retail prices. And we are being pushed towards that increase by literally everything—from the Union government to the calculations of economists. And, in fact, it is impossible to totally disregard the latter: production costs are quickly rising, which inevitably will cause an increase in retail prices. And we already have undeniable evidence that people will get accustomed to this system if it is not buried, odd though this may seem, by the councils, their executive committees. I thought that the greatest danger would be from speculators, the sleazy elements, but it turns out that the danger is elsewhere. Frankly speaking, local councils think they can deviate in whatever way they want from government decisions. . .

[MOLOD UKRAYINY] I understand that even the best decision can be crippled by poor execution. But couldn't this have been foreseen?

[Fokin] I've been to stores, had contacts with people, seen angry, guarded, unfriendly expressions. But once the idea is explained to people, they begin to understand it.

[MOLOD UKRAYINY] Incidentally, if there is an idea, there is an author of it. Is it you?

[Fokin] I don't even remember whose idea it was exactly—among many, there was also this one. Our former prime minister rejected it at first, but later he began to push events to make sure he could sign the document before resigning. And although we were not quite ready for it, I personally do not regret that it happened. Sooner or later, it had to be done. In the present situation, protecting the consumer market in this way is probably the only realistic alternative.

[MOLOD UKRAYINA] Is it really the only one?

[Fokin] Let me explain. Up to 1987, it was still possible to live with the goods that we produced. Things were not wonderful, but it was possible to live. After 1987, eleven resolutions were passed, signed by Ryzhkov and Gorbachev, which foresaw an increase of wages. However, there was no compensation in the volume of production. We know from history that if a warring state wanted to quickly and utterly destroy the economy of its enemy, it put false money into circulation in the enemy country. But we have printed the money ourselves, and it is difficult to get rid of it. Someone suggested that all we need to do is forbid the printing of any more money. Fine, we will shut down the presses. Then let us imagine the results if the miners or workers in machine plants do not get their pay. . . I am convinced that the action of printing money was deliberate, because otherwise even a

weak economy could not be disrupted. In any case, things would not have come to such a bad state.

[MOLOD UKRAYINY] What do we have for that money?

[Fokin] After 1987, the amount of money increased by 10 billion rubles, without being backed by goods. At present, the republic has deposits, the annual wage fund, 210 billion rubles of hidden money. And the volume of production of goods, as well as services, equals less than 78 billion.

[MOLOD UKRAYINY] And the only way out is with coupons?

[Fokin] Why? There are also other ways. The first and best is to increase the volume of production of goods, which at present is unrealistic. The second is to increase retail prices three- or four-fold and balance all the books immediately. But any attempt to bring prosperity to the people by increasing retail prices—will not attain the desired goal. At the same time, I am absolutely certain that we will not be able to avoid raising prices. We have gone too far for that. But we must soften the blow.

[MOLOD UKRAYINY] With coupons?

[Fokin] Yes.

[MOLOD UKRAYINY] I'm sorry, but as an ordinary consumer, I have the impression that it makes no difference whether or not we have coupons, because even with coupons you can't get anything in the stores. Furthermore, we see chaos in the process of the acquisition of coupons by different sectors of society, confusion in commerce as to which goods you can get with the ration card, and which you cannot. One gets the impression that neither commercial establishments nor the responsible local organizations are ready for the implementation of this measure.

[Fokin] You see, even the most brilliant score can be ruined by an inexperienced musician. If everyone worked to help us, I am convinced that in a month goods would appear, the lines would disappear. But it turns out that local councils themselves are deciding which goods should be given for the coupons and which should not.

[MOLOD UKRAYINY] Which ones?

[Fokin] All of them. If, for example, in a food store, even only salt is sold without coupons, then already this store is impossible to control. On money it is not written what you bought for it—meat or salt. In addition, we have abuse. For example, the Agrobank issued to the "Kon-takt" cooperative society coupons for the future quarter. Why? Because of its beautiful eyes? Twelve oblasts are preparing to introduce coupons as of the middle of November. But they are calculated for a full month. The coupon method must be implemented everywhere, by everyone at once, at the same time. Then it will make sense.

[MOLOD UKRAYINAY] But whatever is not forbidden, is allowed. . .

[Fokin] Understood. There lies our mistake. The mechanism of control was not worked out. We didn't have time. A draft Decree of the Supreme Soviet of the Ukrainian SSR has been prepared regarding responsibility for speculation and abuse in this matter. Other steps are also expected. And this is essential: 80 percent of production bypasses the state commercial system and goes onto the "black" market.

[MOLOD UKRAYINY] You are saying that the coupons will beat inflation?

[Fokin] I'm afraid we will be prevented from doing it, if events develop in this way. . .

[MOLOD UKRAYINY] The Declaration about the sovereignty of the Ukraine foresees the introduction of our own money. Is the introduction of the coupons a rehearsal for the transition to regional money?

[Fokin] It is not a rehearsal, but the first step. I understand perfectly that without our own money, we will not create a Ukrainian market. But I am against the populist idea of introducing it immediately. This is not serious. A realistic time frame is the end of 1991.

[MOLOD UKRAYINY] What stands in the way?

[Fokin] How will we guarantee our currency? Up to a certain time it was necessary to have a gold reserve. Now that requirement is gone. This means that we must have solid collateral—either a large quantity of foreign currency, or a certain quantity of capital goods, which can be regarded as collateral. With regard to hard currency, everything is clear. As for capital goods—the whole world knows that ours are shabby: 60-80 percent of the equipment is outdated. We need to have an inventory of those goods done, with the participation of experts. Unfortunately, we are not yet ready for this. And there is also resistance from certain circles. . .

[MOLOD UKRAYINY] Who is bothered by the idea of regional money?

[Fokin] Those who understand that as soon as they appear, there can be no talk of federation. But before implementing reform, we must honestly answer the question: "Who are we?" I'm talking about the Union treaty. When our President says that we should create a Union of Sovereign States, I would like to know what will be the legal status of a state which is composed of other sovereign states. In my view, this is something that is not properly understood. Would it not be better at present to talk about the general basis of the economic Union of Sovereign States? To go back to the problem of regional money, there exists still another approach, but it is complicated. It can be done this way: for a certain time, the karbovanets [independent Ukrainian currency] and the ruble can coexist. This is completely possible. In this way, we could gain some time, which is essential for the transition to regional money. So far, our fund of hard



currency is a state fund, a Union fund, and I do not think that they will rush to share their ill-gotten gains with us. So, for a certain period—two-three, at most five, years—we would be able to make use of two monetary units. You get your pay in karbovantsi? Use them in the stores. Everything that is bought and sold outside of the borders of the republic is valued in rubles. You want to go abroad—change your money into hard currency or rubles. This is a very complex scheme.

[MOLOD UKRAYINY] So why not implement it?

[Fokin] Here the complication arises. So far we do not have a service with a bank of data about world prices, an instrument for indexing them. We do not have specialists who would know how to juxtapose prices, to determine what our karbovanets is worth on the world market. . .

[MOLOD UKRAYINY] Quite often the economic crisis of our society is explained by the fact that the old system no longer works and the new is not yet. . . What is your view of the parallel functioning of these two systems during the transitional period?

[Fokin] I view the idea normally: that is how things are. No farmer would start to put up a new farmstead only after totally destroying the old. One has to live somewhere. Unfortunately, here things are happening otherwise. Read the speeches of the leaders of the country. We do not have any models, for we are building a new society, we are making mistakes, searching. Perhaps I too would not bother to describe in detail the path from point A to point B, indicating where there are curves and in what direction. But the course must be marked out clearly, the methodological foundations must be defined.

[MOLOD UKRAYINY] Then Yuriy Bondariev's comparison, made at our country's XIX party conference, with the airplane which has taken off but does not know where it will land, is proving true?

[Fokin] I agree with him absolutely. We are like a boy who has been put into that plane and told how to handle the controls to take off; but nobody remembered to tell him what has to be done to land. . .

[MOLOD UKRAYINY] And, in the meantime—coupons. . .

[Fokin] Some step has to be taken.

[MOLOD UKRAYINY] I am not a pessimist, but in my view, it is unlikely that the coupons will last to the new year. . .

[Fokin] Unfortunately, you may be right. I also have doubts. But not because the system itself is bad. I am very much afraid that the new year may bring changes in retail prices. Then we will have to return to the ration card. . .

### Uzbek Gosplan Head on 1991 Economic Plan

914A0181A Tashkent PRAVDA VOSTOKA in Russian  
1 Nov 90 p 2

[Report by B. S. Khamidov, deputy chairman of the Uzbek SSR Council of Ministers and chairman of the republic State Planning Committee, to the third session of the 12th Uzbek SSR Supreme Soviet: "On the Basic Parameters of the Uzbek SSR's Economic and Social Development in 1991"]

[Text] Esteemed comrade deputies!

Under conditions in which the socioeconomic situation continues to be extremely complex, a substantiated and carefully weighed determination of the paths of the economy's development is a top priority. This is all the more important in that Uzbekistan's socioeconomic development next year will be carried out on the basis of a changeover to market relations, which was expounded to you in detail by Comrade Mirsaidov.

In characterizing the situation in the republic's social production, I would like to note that the large-scale economic losses caused by the exacerbation of the sociopolitical situation in a number of the union's republics and regions, the upsetting of production and economic interrelations, failures to fulfill contractual commitments, and shortfalls in deliveries of equipment, raw materials, industrial output and food have been painfully reflected in Uzbekistan's economic development, as elsewhere. These difficulties are being felt today by every oblast, city and village, and every inhabitant of the republic.

Despite these difficult circumstances, the measures that have been adopted by the president and the government and by local soviets, and energetic work by labor collectives and all the republic's working people have made it possible to stabilize the situation and to achieve, in contrast to many regions and the country as a whole, a significant increase in production.

The social orientation of the measures that have been carried out, especially those connected with the support of less well-off segments of the population, have been of decisive importance in the attainment of this progress.

Thanks to those measures, so far this year produced national income has increased by 8.7 percent, as against an average annual increase of three percent over the past four years.

Industrial output has increased by 1.3 percent over the corresponding period of 1989, and labor productivity in industry has risen by 1.3 percent. There has been a significant increase—7.9 percent—in the production of consumer goods.

Agricultural workers have produced a fairly decent harvest of practically all crops. As of today, the harvesting of grain is being completed everywhere, as is the harvesting of corn, rice, vegetables, melons, fruits and grapes. The

plan for the production of silk pods has been considerably overfulfilled. The harvesting of cotton has been organized more efficiently than ever before, and as of today 5.0 million tons of raw cotton has been harvested, which is 255,000 tons above plan. The laying in of fodder is proceeding substantially more vigorously than last year, and procurements of all the principal types of field and livestock products are higher than last year's.

While giving due credit to the current year's positive changes, as President Islam Abduganiyevich stressed yesterday, all this should be regarded as exceptionally important steps, but nonetheless only the first steps, toward overcoming crisis phenomena in the economy.

The acuteness of the negative processes taking place is especially noticeable in the state of the consumer market. Despite a certain increase in goods, the pace of that increase is drastically lagging behind the increase in the population's purchasing power. Many vitally essential goods have joined the ranks of the scarce, and goods belong to the inexpensive assortment are being washed out.

Speculative, black market prices are rising. Thus, beef has jumped to 10-12 rubles a kilogram, lamb to 15-17 rubles and sour cream to 4-6 rubles, and five rubles is being asked for a pack of cigarettes! One wonders what sort of normal family budget can withstand that.

Unsatisfactory material and technical supply has had an extremely negative impact on the fulfillment of the current year's assignments. Thus, during the months that have passed, the republic has failed to receive deliveries of 65,000 tons of cement and 500,000 meters of pipe, and less than half the annual amount of lumber and has been received. The shortfall of raw materials and other materials has had an especially sharp effect on performance results in capital construction, light industry, local industry, the food industry and other branches of the processing industry.

Hundreds of millions of rubles' worth of fixed assets have failed to be put into operation, and 180,000 cubic meters of housing, schools for 24,000 pupils, kindergartens for 3,300 children, and other facilities in the social sphere have failed to be opened.

Tremendous potential for increasing the production of consumer goods remains unused, especially in the system of the UzSSR Ministry of Light Industry. A substantial amount of the most essential goods has not been produced by industry, and that has turned into a growing deficit literally before our eyes.

Despite the positive changes that have been noted in agriculture, serious omissions continue to exist in that sector of the economy. Farms complain of shortages of machinery, but during the harvest period more than 4,000 cotton combines, which is nearly equal to a year's production, stood idle. Despite a good harvest and higher procurement prices, the sale of vegetables to the

state declined in practically all oblasts and the autonomous republic, and the sale of potatoes by farms in Syr-Darya, Fergana and Tashkent oblasts declined. The number of livestock continues to decline. All these persisting negative tendencies in the economy cause serious concern and indicate the need to continue and intensify comprehensive measures to restore the economy to health, and to take an active approach toward accomplishing complex social and economic tasks. That is why I want to specify that next year we need to make every effort to consolidate the relatively small progress that we have made, and think not so much of a large growth as of preserving what exists.

Comrade deputies! For the reasons that have been set forth above, the content and orientation of the parameters of the Uzbek SSR's social and economic development for 1991 are characterized by fundamentally new approaches, among which I would like to single out the following:

- a central place among the priorities of economic growth is assigned to the **comprehensive accomplishment of social tasks** and improvement of the living standard of the population, especially of children, women, pensioners, disabled persons and people acutely in need of social protection;
- in accordance with the Declaration of the Uzbek SSR's State Sovereignty, the most important indices of development for 1991 have been worked out from the standpoint of ensuring the integrity of the economy, proceeding from the interests of the republic's population;
- all relations with other republics and the center, including matters pertaining to the rational use of mineral raw-material and other resources, are being shifted to a basis of equivalency and benefit for the republic;
- the republic's own funds are becoming the principal source of social improvement and economic development;
- the broad use of all effective forms of organizing production and improving its scientific and technological level, enhancement of the motivation of all segments of the working people, and implementation of the principle of the equality of various forms of ownership and the encouragement of initiative and enterprisingness.

In 1991 measures will be carried out to increase employment both in the material-production branches and through the accelerated growth of the social sphere, and on the basis of the expansion of entrepreneurial activity, peasant farms, the continued organization of rayon industrial combines and craft artels, and the creation of conditions for private craftsmen, artisans, and nontraditional forms of individual labor.

Work to provide social guarantees is to be stepped up, especially with regard to sickness allowances and the right to paid leaves and pensions for people who are

employed in personal auxiliary farming and have concluded contracts for the sale of agricultural products. So far this year, more than 100,000 rural workers have concluded contracts. The agencies of Uzbekbriyashu, the State Committee for Labor, and the Goskoopkomselkhoz [a state committee concerned with agricultural cooperatives], as well as the local soviet executive committees, need to drastically improve work in this area.

Altogether, through the creation of new jobs, improvement of work arrangements, and the use of new forms of employment in the context of a specially developed program, it is planned to enlist more than 270,000 more people in productive labor, which exceeds the annual growth in the able-bodied population and will make it possible to employ more than 110,000 persons who are currently unemployed.

In 1991 the additional benefits and allowances that were recently introduced by an ukase of the republic president for participants in the Great Patriotic War, servicemen who have performed internationalist duty, the families of deceased servicemen, large families and children will be continued.

Next year, in accordance with decisions that have been made, earnings will be increased by an average of 35 percent for employees in health care, education and culture, and others. A new pension law and a unified system of allowances for families with children, including allowances equal to 50 percent of the minimum wage for mothers to care for a child up to the age of 18 months, are being introduced, and stipends for students in higher and secondary educational institutions are being increased.

Altogether, as the result of the planned increase in earnings and payments from public consumption funds and other sources, the income of the population as a whole will increase 25 percent next year, and real per capita income will rise by about 5.0 percent. This poses the task of correspondingly increasing the production of consumer goods and provision of services, and of expanding individual housing construction, in order that honestly earned money may be spent effectively and beneficially.

Potential has been found for raising the production of consumer goods in 1991 to more than 15 billion rubles, which means an increase of nearly 1.5 billion rubles. All enterprises and associations located on the republic's territory will be broadly enlisted in the production of consumer goods.

At the present time, work is being done on the questions of providing tax and other economic benefits and incentives for enterprises that produce consumer goods, and of establishing small enterprises for producing them.

In addition to expanding capacity in light industry, the machinery industry and other industries, an important role in accomplishing this task is being assigned to the

further expansion of rayon industrial combines, the number of which is supposed to sharply increase.

At the same time, it is impossible not to note that the work being done to expand the network of rayon industrial combines and increase their performance efficiency has been insufficient. Rayon ispolkoms have been dragging out the transfer of buildings to rayon industrial combines, and insufficient equipment and materials are being allocated for them. If these problems are energetically solved right now, in 1991 employment will be provided for 27,000 people, and the production of consumer goods will increase by an additional 130 million rubles.

As for food, we consider it necessary to set the task of raising per capita meat consumption to 36 kilograms in 1991, as against the 32 kg expected in 1990, and to raise the per capita consumption of milk and dairy products to 215 kg. A substantial increase is also planned for other food products. In order to attain these parameters, in addition to the maximum possible increase in the production of food, especially of meat and milk, grain, flour and potatoes, it will be necessary to increase the shipment of it from other republics on the basis of direct ties, as well as their importation. To this end contracts have already been concluded with a number of union republics, and such work will be continued.

On the basis of the planned production of consumer goods and procurements of foodstuffs and nonfood goods through direct contracts, as well as the production of alcoholic beverages, a 6 percent increase over this year's plan figure is being projected for the **volume of retail commodity turnover** in state and cooperative trade.

In order to provide for the projected growth in trade and paid services next year, the ministries, departments and local Soviets should do the utmost to accelerate the privatization of trade and consumer-services enterprises and small and processing enterprises.

The provision of housing for the population is one of the republic's most acute problems. The total area of residential buildings planned to be opened for occupancy in 1991 is **set at 10.8 million square meters. Practically two-thirds of that** will be opened in rural areas. Individual housing will account for 60 percent.

The average living space per inhabitant will increase from a planned 11.9 square meters in 1990 to 12.1 square meters by the end of 1991.

The local soviet ispolkoms, the banks, the Ministry of Trade and Uzbekbriyashu must provide comprehensive help to builders in speeding up the allocation of lots, and in the sale of building materials and arrangement of bank loans. Broad use must also be made of the funds of enterprises and organizations.

Special importance is being given to the accelerated development of gasification and provision of public water and sewerage service.

As you know, the Uzbek SSR president has adopted a special ukase and the Uzbek SSR Council of Ministers has adopted a state program in accordance with which a sharp increase in gasification in the republic is planned for 1991—an increase of more than threefold over 1990.

Four thousand nine hundred ninety four kilometers of gas systems will be built, and gas will be provided to more than 110,000 apartments. The indicated rates of gasification will make it possible to raise the percentage of the population receiving gas service in rural areas alone to 22 percent by the end of 1991, as against 17 percent at the beginning of this year.

Special attention is being given to the questions of supplying consumers with gas equipment, distribution units and appliances through their increased production at the Angren Experimental Plant, the Fergana Gas Range Plant, and the Sredazgazavtomatika [Central Asian Automatic Gas Equipment] Plant.

Taking into account the priority and necessity of supplying gas first of all to the public and to social, cultural and everyday-service facilities, a decision has been adopted according to which gas allocations will be determined and issued locally, which will considerably speed up the provision of blue fuel.

Considerable attention is being given to questions of water supply.

In 1991 it is planned to build and commission 5,172 km of water pipelines and systems, which is an increase of 1,738 km over 1990 and will make it possible to provide quality drinking water to an additional 500,000 rayon residents. The construction of intereconomic water pipelines will be continued: the second and third stages of the Tuyamuyun-Nukus, Tuyanuyun-Urgench and Damkhodzinskiy water pipeline, the Krestyanskiy and Khodzhaipakskiy water pipelines, the Sovetabad-Andizhan Water Pipeline, and other water pipelines and paired water mains and drainage pipes to rural communities. The fulfillment of these assignments will make it possible to raise the percentage of the urban population receiving central water supply to 84.7 percent, and the percentage of the rural population receiving it to 56 percent by the end of 1991.

In order to accomplish the projected tasks and improve the supply of pipes, the construction of a 15,000-ton-capacity pipe-welding unit has been begun at the Uzbek Metallurgical Plant, and it is slated to be commissioned in 1991. The equipment for it has been manufactured at the republic's machinery enterprises. The Uzbek Refractory and Heat-Resistant Metals Combine has been instructed to set up the production of shutoff valves. Five injection-molding machines have already been acquired, and in a short time the combine will begin manufacturing the valves.

The Almalyk Mining and Metallurgical Combine and the Uzvtortsvetmet [Uzbek Recycled Nonferrous Metals]

Rayon Production Association are allocating the republic's cable plants an additional amount of copper and aluminum for the production of pipe for the electrification of individual housing and buildings in rural areas.

Public education will receive further development. In order to provide children with preschool institutions and students with day general-education schools, it is planned to build and commission, from all financing sources, kindergartens and nurseries to accommodate 58,600 children and general-education schools to accommodate 252,000 students. This amount of construction will make it possible to raise the percentage by which the need for kindergartens is met to 45 percent and to replace run-down schools currently serving 144,000 students in 1991, and the percentage of students attending school on the first shift will be raised to 76 percent for the republic as a whole.

The number of **hospital beds** will increase by 5,500 over the year, and the number of outpatient clinics will increase by a capacity of nearly 18,000 patient visits per shift. It is planned to provide new hospital beds for children at an accelerated pace.

These projections will make it possible to increase the per capita availability of hospitals and clinics to the republic's population and raise it practically to the rational norm.

The construction of a plant for producing disposable syringes with a capacity of 100 million a year is being completed near Tashkent, and it is slated to go into operation during the second quarter of 1991.

Next year the construction of a second such plant will be started in Namangan.

With these enterprises' beginning of operations the republic's need for these products, of which there is an acute shortage, will be met.

A further expansion of the system of **cultural institutions** is projected; the library system is to be expanded to 7,800 units, and the club system—to 4,650 units, and the number of movie theaters is to be raised to 6,500.

Comrade deputies!

**In industry** in 1991 progressive changes are planned in the structure of production.

The growth rate will be five percent in the machinery and chemical complex and four percent in construction.

The production of mineral fertilizers will increase to 1.7 million tons, the production of tractors—to 25,000 units, and the production of cotton-harvesting machines—to 6,000 units.

**The development of agriculture** is closely bound up with the shift to a rational planting structure and an increase in the pace of the social rebuilding of the countryside.



The production of cotton fiber is planned at 1.4 million tons. Cotton will account for 61 percent of the total area planted, as against 65 percent in 1990. Assignments for the production and procurement of raw cotton for the autonomous republic and the oblasts are being lowered by an average of 3.9 percent under the plan level for this year, and by somewhat more for the Fergana Valley oblasts and Samarkand and Tashkent oblasts, taking their specific features into account. The land that is freed, especially that which adjoins the oblast centers, will be used to expand plantings of food crops and increase private plots and the construction of individual houses. In addition to the 165,000 hectares of land set aside in 1989-1990, about 100,000 more hectares of land will be allocated in 1991 for increasing private plots. In accordance with an ukase of the Uzbek SSR president, the approach to providing personal farming operations with feed is being fundamentally altered.

Starting in 1991, the shipment of cotton oilseed meal and bolls out of the republic will be completely stopped (except for barter operations), and their sale to the public will be increased twofold to threefold. The requirements of individual animal husbandry for succulent and coarse fodder will be completely met. Conditions will be created for increasing the numbers of livestock and poultry and raising the productivity of livestock sections.

Under the conditions of a market, these are very important measures for protection of the public.

In accordance with the production volumes of agricultural products, it is also planned to increase procurements of them over the 1990 plan, including a 6 percent increase in procurements of potatoes, a 4.5 percent increase in vegetables, an 8.5 percent increase in fresh fruits, a 3.6 percent increase in grapes, a 13.4 percent increase in silk cocoons, a 4 percent increase in livestock and poultry, a 5.8 percent increase in milk, and a 3.4 percent increase in eggs. At the same time, on the basis of production requirements, state procurements of grain are to be cut from 900,000 tons this year to 500,000 tons.

**In the processing industry** the production of canned fruits and vegetables is to be doubled.

In the bakery-products system, the production of bread and pasta products will increase considerably, and work on the construction of small-scale bakeries will continue. It is planned to increase the production of confectionery products, meat and dairy products, nonalcoholic beverages, margarine, mayonnaise, soap, and so forth.

In order to provide the population with flour produced in the republic, the construction of seven grain-product minicombines using imported equipment is planned for 1991. Flour production is slated to be raised to 2,650,000 tons, which is 206,000 tons more than the 1990 level.

The approach to sources of financing capital investments is being radically changed. In contrast to past years, in connection with a change in tax policy, the monies of

enterprises and organizations will increase to 54 percent of total state capital investments.

In order to prevent a further increase in the amount of unfinished construction, funds are supposed to be allocated for the completion of construction projects carried over from the previous year in accordance with established norms. It is necessary to sell or change the specialization of facilities that have been mothballed and are not subject to further use.

A doubling of capital investments is planned for the development of branches of the **construction industry and building materials industries** as follows: for the production of wall materials—by 350 million bricks, including 100 million produced on kolkhozes and sovkhozes; for cement—by 222,000 tons; for the production of lime—by 30,000 tons; for the production of keramzit—by 247,000 cubic meters; and for the production of linoleum—by 3.5 million square meters. In this connection, market allocations for building materials will be increased by 10-15 percent.

Esteemed comrade deputies!

The active changeover to a qualitatively new form of production and managerial structures in the republic, the sharp expansion of interrepublic ties, and the fundamentally different basis in the independent conduct of foreign economic policy must be called absolutely new factors in the development of the basic parameters of social and economic development for next year.

The basic parameters of social and economic development in 1991 are based on intergovernmental contracts that are concluded among the union republics. I want to report to you, comrade deputies, that this work is being conducted extremely energetically, and as of today contracts have already been concluded with 10 republics, and work with Ukraine, Moldova, Latvia and Estonia is at the stage of completion. **Henceforth interrepublic relations will be carried out on an equal and mutually advantageous basis.**

Qualitatively new demands are now being made on the whole sphere of **foreign economic relations**. First and foremost, the republic will gain, within the limits of its sovereignty, the ability to effectively utilize its own foreign-exchange resources. The sale of cotton fiber, silk and other types of products enjoying unlimited demand on the world market will be carried out **by the republic only**, through such agencies as the State Committee for Foreign Economic ties and the Uzbek Chief Administration for Supply and Marketing. In this connection licensing and the setting of quotas will also be done independently, with the exception of state orders.

Active work is being done in the republic on the establishment of mutually advantageous ties with foreign countries and large corporations, including the establishment of large production complexes in the textile industry, the processing branches and the production of building materials, and the development of tourism.

Primary importance in this connection is being accorded to the accomplishment of social tasks. For example, the drafting of an agreement is being concluded on the delivery to Uzbekistan of a large lot of pipes, up to 100,000 tons, for gasification and water supply, and talks are under way on the procurement of meat and meat products, children's clothing and other goods, as well as of complete sets of equipment for the production of bricks, facing tiles, and so forth.

The training of highly skilled specialists in the area of foreign economic activity should become main thing here. As we know, this year the training of more than 200 students in the specialty titled "International economic relations," in marketing and in management has begun at Tashkent State University and the Tashkent Economics Institute. Agreements have been drawn up to send promising young specialists to intern with foreign companies.

Such are the basic parameters of the republic's economic and social development for 1991. According to preliminary figures, it is planned to allocate resources from centralized sources for several of the most important areas, including the agroindustrial complex.

The remaining needs will be met on the basis of interrepublic agreements that have been concluded, established inter-economic ties, and direct contracts between enterprises.

In the near future work on the plan for material and technical supply should be completed.

Concern is caused by the fact that, as of today, contracts have been concluded for the delivery of output amounting to only 40 percent of its total amount.

On the basis of existing interrepublic agreements, agencies of the State Supply Committee the UzSSR Ministry of Trade and other republic organizations should promptly step up the conclusion of contracts for the delivery of output in 1991 and the creation of conditions for the stable and uninterrupted operation of all branches of the economy.

In concluding this characterization of the basic parameters of the republic economy's development in 1991, I want to stress that they represent only the general contours of the work that is to be done. We hope that the deputies will support them and express their criticisms, additions, and specific proposals, with a view to which materials will be prepared for the ministries, departments, enterprises and local soviets.

Thank you for your attention.

## PRICES, BUDGET, FINANCES

### Purchase of Kazakh Securities Explained

914A0183A Alma-Ata KAZAKHSTANSKAYA PRAVDA  
in Russian 4 Nov 90 p 1

[Interview with K. Sadykpayev, chief, Monetary Turnover and Trade Financing Department, Kazakh SSR Ministry of Finance: "Securities Market"]

[Text]

[Sadykpayev] As we know, various securities are being sold to the population in all Sberbank [Savings Bank] establishments. These include certificates (written confirmations of the right of the investor to receive interest); state treasury obligations to pay up to 10 percent annual interest for the "immobility" of the investment over a substantial period of time; and earmarked bonds for goods in high demand, which, if paid for today one will be able to own these goods in three years, regardless of price increases (this condition does not pertain to automobiles).

[Correspondent] **The population may participate actively in the securities market. But what about enterprises? May they acquire anything in this market?**

[Sadykpayev] Yes they may. For the first time in Kazakhstan a five percent bond has been issued, maturing in 2006, for distribution among enterprises, organizations, cooperatives and banks. It is in the amount of 200 million rubles. Repayment in equal parts, over a 10-year period beginning in 1996, has been provided for.

[Correspondent] **Will this bond be advantageous to enterprises?**

[Sadykpayev] Undoubtedly. Whereas today the bank pays 0.5 percent per year for free funds in enterprise accounts, by investing some of these funds in a bond, the enterprise will receive a fixed return of up to five percent per year, beginning in 1991, regardless of circumstances. That is, 10 times more.

But, I must note that the advantage is mutual, since the enterprise funds placed in bonds will be put into the republic's economic turnover.

[Correspondent] **If an enterprise that purchased these bonds needs funds, can it sell them?**

[Sadykpayev] Yes, under our republic's loan conditions, this has also been taken into account. The owners of bonds may resell them to other state, cooperative, and social enterprises and organizations.

[Correspondent] **When and where can these bonds be acquired?**

[Sadykpayev] In all banking establishments, during November - December 1990.

**BSSR Premier on Remedying Budget Deficit, Living Conditions**

014A0183B Minsk SELSKAYA GAZETA in Russian  
21 Nov 90 p 1

[Article by V. Bogdanov, V. Menshikova, BELTA Correspondents: "There Will Be A Market. Is There Protection From the Spontaneity of the Market? Meeting of BSSR Council of Ministers Chairman V. Kebich with trade union *aktiv*"]

[Text] No doubt this was the first time in many years that a meeting of the Belorussian trade union *aktiv* with the BSSR Council of Ministers chairman and members of his cabinet was so far from protocol. The hall where the dialog with the government took place could not hold all those desiring to attend, so important was the main topic of conversation: social guarantees for the population in connection with the transition to the market. V. Goncharik, chairman, BSSR Federation of Trade Unions, opening the meeting, tried to get to the point immediately.

The trade unions believe that, in the current situation, the government must take extreme measures to prevent the growth of negative tendencies, stabilize the economy, and normalize the consumer market. Only a rise in the standard of living of the population can serve as the criterion of effectiveness of the measures being taken.

Second, this meeting must help fill with specific content the draft agreement between the BSSR Council of Ministers and the Belorussian Federation of Trade Unions Soviet, on social guarantees in connection with the transition to the market.

A heap of questions were offered to V. Kebich before his talk.

In his talk, the head of government emphasized that Belorussia remains a part of the unified union economic space, and that all the processes taking place in the country relate directly to us as well. In these days the Council of Ministers is completing preparation of the plan and budget for 1991, as well as an entire packet of laws that must be examined at the next session of the BSSR Supreme Soviet. It is they that must lead to market relations.

And thus far the picture that is taking shape is not a happy one. V. Kebich did not attempt to embellish it. Although the BSSR remains one of the most stably working republics in the country, the anticipated budget deficit for 1991 may be approximately 11 billion rubles. The government noted a number of steps that could reduce this deficit by more than two-thirds. However, they can be realized only if approved by the BSSR Supreme Soviet.

Several of the main measures were singled out in the talk. Thus, all 100 percent of turnover tax must remain in the republic. N. Dementey and V. Kebich sent an appropriate telegram to the country's president and prime

minister, justifying this requirement by reference to the difficulties in overcoming the Chernobyl calamity. The Belorussian budget would also be substantially supplemented by 40 percent of depreciation expenditures, including those of union-subordinate enterprises.

Evidently such one-time measures as a "Chernobyl" tax in the amount of five percent of deductions from profit into the budget, as well as an increase in tax on profit for all enterprises, regardless of subordination, up to 55 percent, will also evoke considerable discussion.

At the same time, it was emphasized that the approach to taxation will be differentiated according to several positions, and that the government is already working on a system of tax incentives for those who invest funds in the development of the social base, and produce high quality, competitive products.

Additional budget receipts will be used primarily for social protection of needy citizens. In this the positions of the government and the trade unions coincide. In their unified opinion, the minimum standard of living, and correspondingly the minimum wage today, should be 125 rubles, and should change in the future taking into account inflation in the republic.

Much attention is being paid to the position in the fields of education, culture and health. And although, no matter how hard the government tried, it will not be possible to increase significantly the level of capital investments in these branches in the near future, already next year the question of increasing the wages of all three categories of workers must be resolved. Without naming specific figures, V. Kebich stated that they will at least be brought to the level of average wages in the republic.

In the opinion of the head of government, the economic disbalance is largely caused by the lack of a precise division of legislative, executive and judicial powers. This is one of the main problems that must be overcome in order to solve many of the tasks posed of the government by the trade unions.

Characterizing the union decree on the introduction of contractual prices for a number of goods, V. Kebich noted that a change in prices for the majority of positions was also anticipated in the republic program for transition to the market. At the same time, in many respects the USSR Government did not approach this decision correctly. In particular, the advisability of increasing prices for furniture, and especially for automotive spare parts, is highly dubious. Under conditions of a producers' monopoly, this will simply give still greater freedom to the shadow economy. And most dreadful is the fact that the republic does not have the ability to produce spare parts and somehow correct the situation.

The BSSR Government made the following decision: The union decree will be in effect on the territory of the republic, but the Council of Ministers will not allow prices to be freed completely, but will retain for itself the right to control their upper limit. This will concern

especially such goods as television sets, refrigerators, and other products that already long ago became necessities, and not luxury items, for each individual.

Essentially, the meeting with the trade union workers became the initial report to a wide audience on the effectiveness of the law recently placed in effect about temporary measures to protect the consumer market. V. Kebich believes that it can be assessed in various ways. But it is already obvious that the barrier placed on the roads, and along communication lines and air transport, made it possible to return large batches of goods to the republic.

V. Goncharik concluded the meeting.

### **Ukrainian Finance Minister on Healing Economy**

914A0177A Kiev RADYANSKA UKRAYINA  
in Ukrainian 15 Nov pp 1,2

[Interview with new Finance Minister of Ukrainian SSR, O.M. Kovalenko, by RADYANSKA UKRAYINA correspondent: "Learning How To Count"]

[Text] **The Declaration of the Sovereignty of the Ukraine and the Law "regarding the economic independence of the Ukrainian SSR" passed by the Supreme Soviet of the Ukrainian SSR have created the essential conditions for leading the republic's economy out of the crisis.**

What mechanism will be used to protect its economic interests along the way to the development of a regulated market with a relation between production and money?

A RADYANSKA UKRAYINA correspondent talked about these things with the new finance minister of the Ukrainian SSR, O.M. Kovalenko.

[RADYANSKA UKRAYINA] Oleksander Mykolayovych, we would like first of all to hear from you, as the new finance minister of the Ukraine, what the role and significance of finance and the budget will be in the conditions of the economic independence of the republic, the shift to the market system?

[Kovalenko] During the years of restructuring, problems of finances, the budget and the circulation of money began to get attention at all levels of government and economic management. Especially now that the choice has been made—a sovereign, economically-independent Ukraine will move within a single Union to the market. But a "package" of certain preconditions is essential: the independence and economic responsibility of enterprises, flexible price setting, competition, a material-financial and structural balance of the economy, a reliable system of regulation of the economy by the government in order to guarantee the social protection of citizens. Then a number of other related steps must be taken, in particular, to guarantee the development of a variety of forms of ownership, entrepreneurship, price

setting reform, demonopolization of the economy, establishing a developed market infrastructure, restructuring production.

And, of course, all of this cannot be done without a brutal financial and credit policy. Once administrative influence is weakened, financial and credit levers will become the instruments used by the state to regulate the economic life of the republic.

By now, everybody understands: unless the economy is healed and the circulation of money stabilized, it will be impossible to implement social policy, the program for improving the life of the people.

[RADYANSKA UKRAYINA] What is the present state of our economy and finances? And do you not feel like a captain who is standing at the helm while the ship has run aground?

[Kovalenko] Unfortunately, real life shows that in spite of the steps that are being taken, the state of affairs in the republic's economy and the country as a whole leaves something to be desired. An unbalanced market, which can no longer function without cards, coupons and passports, disorder in the circulation of money, budgetary deficit, strikes. The Chernobyl problem—these and other negative phenomena seriously hamper the shift to the market, demand significant additional funds. In addition to the errors and miscalculations made during the period of stagnation, we must admit that new ones have also been made, and for that reason, reform is still not as effective as it should be.

Economic results over last year and nine months of this year show a decrease in the rate of development of our economy. In many important areas, the planned objectives have not been met. Among the reasons for this, along with miscalculations in planning, large number of losses and the slow rate of introduction of scientific, technological and other innovations, there is also the fact that in all sectors, work discipline has declined, absenteeism and employee turnover are increasing, equipment and machinery are standing idle. Unauthorized and authorized absenteeism alone mean that every day in the republic close to 40 thousand workers do not take part in production and thus almost 180 million rubles' worth of production and construction and assembly work is not carried out. Hiding behind the screen of independence, many enterprises have set themselves lower production goals, cut down on production. Only last year as a result of this, the republic was short of 1.2 million rubles' worth of consumer goods.

And thus empty counters do not get filled, the shortage of dwellings and financial resources is increasing.

[RADYANSKA UKRAYINA] Not a happy picture! One cannot help but ask: what have the republican government, the finance ministry of the Ukrainian SSR and its local bodies done to heal the economy and finances, what additional steps are foreseen for improving the



situation, financing the program for the improvement of the services offered to the population?

[Kovalenko] This may sound surprising, but I want to emphasize that even in difficult conditions, the government and the finance ministry of the Ukrainian SSR, along with local councils, planning and financial bodies, constantly strive to get their projected income, guarantee the timely and complete financing of the projects that are foreseen by the plan and the budget.

In particular, there has been a significant reduction of spending on capital investment in production; these funds have been transferred to construction of dwellings and the social sphere. There has also been a reduction of subsidies for covering losses.

Even in these difficult financial and economic conditions, the republican government, as we all know, has, at its own initiative, found ways to solve a number of urgent financial and economic problems relating to the improvement of social and living conditions and provision of basic services to the population. In particular, at the cost of the republican budget, pensions to some categories of citizens have been raised, diets have improved in children's convalescent homes and maternity hospitals; the taxes imposed on owners of private means of transportation have been abolished for veterans of the Great Patriotic War; people living in the zone of the Chernobyl AES [nuclear electric power station] have been freed from paying the tax on single people and childless couples.

We are also in the process of improving the management of the economy, reducing staff and spending for their support.

As everyone knows, with the establishment of the new structure of rule and government bodies, three ministries have been abolished, the Ministry of Public Services of the Ukrainian SSR, the Ministry of Road Construction of the Ukrainian SSR and the Ministry of Local Industry of the Ukrainian SSR, with a total staff of 453 people.

At the same time, in connection with the passage of the Declaration of the Sovereignty of the Ukraine and the Legislation regarding economic independence, a number of new government bodies have been established: the state committee of the Ukrainian SSR for the protection of the population from the effects of the Chernobyl AES disaster, the state committee of the Ukrainian SSR for the coal industry, the state committee of the Ukrainian SSR for nationalities, and committees of the Council of Ministers of the Ukrainian SSR: for heavy industry; social development of the village; agricultural machinery construction; supervision of state property; links with the Ministry of Defense of the USSR, direction of customs controls and some other permanent bodies, the support of which will cost more than five million rubles. Expenses will grow by about another 31 million after the shifting of the Control Committee of the Ukrainian SSR, the State Statistical

Committee, the Chief Literary Committee and their local bodies from the Union to the republican budget.

In order to at least partially cover the increase of expenses in this column, the Council of Ministers of the Ukrainian SSR is now considering additional cuts to the staff of government bodies.

[RADYANSKA UKRAYINA] Thus, the establishment of new government structures is costing a pretty penny. Are they always justified?

[Kovalenko] These changes are aimed above all at creating the necessary conditions for the transition from administrative to economic methods of management, and also the structures and forms of government which would effectively stimulate new methods of running the economy. We are abolishing all those things that have outlived their time or not justified themselves. At the same time, there is an increase in the rights and role of local bodies in the economic and social development of oblasts, cities, raions; new organizational structures are being created on the principles of voluntary activity—business conglomerates, associations, unions; self-management is developing.

Of course, in this activity, there are some minuses. Ministers and departments still have not found their place in the new conditions of economic management; they continue as before to deal with current questions, are changing the directors of enterprises, slowly forging links with them which are in line with spirit of the times. Things are no better at the level of enterprises, associations. Their rights and their economic independence have been increased; in most of them, management personnel and spending on their support has grown, while improvements have not been achieved.

There is hope that in market conditions, life itself and the ruble will force us to evaluate differently the importance of maintaining various structures and will lead to their reduction, improvement and so on.

I am certain that our main possibilities are in our economy. We must wage a determined battle to cut down on unproductive spending and losses, which cost us more than four billion rubles every year, losses from uninstalled equipment, leftover substandard goods, of which more than 15 billion rubles' worth has accumulated, and more than 20 billion rubles' worth of uncompleted construction.

[RADYANSKA UKRAYINA] Please describe as well the budget and tax policy of the republic in conditions of Ukrainian sovereignty and the market economy.

[Kovalenko] The policy is aimed at providing a financial guarantee of the sovereignty and economic independence of the Ukraine. The system of budgets of the Ukrainian SSR will consist of the republican budget and independent budgets of local self-governing bodies. The profit-making part of the budgets at all levels will be

structured on long-term, stable rules and rates of pay. Every council will independently elaborate, ratify and implement its own budget.

All income earned on the territory of the Ukraine will be considered part of the republican budget. Transfers to the Union budget will be done based on rules which take into account the national per capita income and the funds required for taking part in the financing of all-Union programs. This same approach is foreseen in the draft legislation: "Regarding the financial and budgetary system of the Ukrainian SSR."

Central to the work of our ministry, local financial organs and tax inspections is, of course, a precise implementation of tax laws relating to enterprises, cooperative societies and the population, which make it possible to balance the interests of individual work places, citizens, the state. But if anyone thinks that employees of the finance ministry do nothing but click their abacuses and add up fabulous riches, they are mistaken. In real life, things are nothing like that. One can count only when there is something to count. Thus, we direct our efforts to searching for real ways of financing the decisions that are taken by the Supreme Soviet of the Ukrainian SSR and the government; we elaborate the mechanism for economic regulation of the income of all those who participate in social production and the budget. Our principle is that if enterprises and people are wealthy, then the budget will be wealthy, and so will the state.

In market economy conditions, the gradual eradication of sector ministries and departments, creation of associations and business conglomerates, privatization of property, an end to planning by directive—with the help of these and other economic stimuli, the finance ministry, with its tax subdivisions and banking bodies, will stimulate production, provision of consumer goods and services to the population, especially through small business.

[RADYANSKA UKRAYINA] How in practice is the social reorientation of the republican budget being effected?

[Kovalenko] The scale of our production and the high level of its concentration and—let us confess—inertness mean that a lot of resources and time are required for the realization of the social reorientation of the economy and budget.

However, already the social and cultural sphere has become one of the priorities of the budgetary policy of the republic. We have condemned the old approaches and are consistently correcting the situation. It appears that we have overcome the practice of providing material and technical support to the social and cultural sphere

only from leftover funds. For example, while general spending by the republic in 1990 was 47 percent higher than in 1985, spending in the social and cultural sphere has increased by almost 54 percent, including by 52 percent for education and 57 percent for health protection.

At present, work is being done on the republic's legislation: "Regarding the priority of the social development of the village and the agro-industrial complex in the economy of the Ukraine." My colleagues and I took a direct part in the preparation of this important document. It foresees the construction in rural regions of more than 28 million square meters of dwellings, schools, children's nurseries with places for one hundred thousand children, other social and cultural projects, provision of natural gas, improvement of water supplies, maintenance, construction of roads in rural regions.

[RADYANSKA UKRAYINA] What relation should there be, in your opinion, between financial bodies and banks in the conditions of the economic independence of the Ukraine and the market system?

[Kovalenko] I believe that the basis of the republic's bank system should be commercial, publicly-owned banks, which have their own funds, according to their statute, are paid for by issuing republican shares and have their own statutes and the rights of legal entities. It would be best for the finance ministry, as the representative of the government, to be the main founder of republican publicly-owned banks, as this would increase the role of the republic in the regulation of credit and money. Relations between republican and Union banks should be structured on an economic basis, with the Union banks purchasing part (up to one-quarter) of the shares of the republican banks. I can cite the recent example of the creation in the Ukraine of a publicly-owned society of that type: the publicly-owned commercial agro-industrial bank "Ukraine." It has been created on the basis of the former Ukrainian Republican Bank and the Argo-Industrial Bank of the USSR to provide complex banking services to collective farms, state farms, cooperative societies and other enterprises and organizations, as well as farmers, tenants, associations, union, citizens. By its activity, it favors the republic's economic development, the financial strengthening of the economic organizations of the Ukraine, the implementation of food supply and social programs.

So, I repeat: in market conditions, interest rates will inevitably increase, subsidies from the budget will be cut to nothing, state capital investment will sharply decline, but having obtained the right to freedom of economic activity, we are obliged to be managers, to count. And the ruble will get its maximum circulation.

## Uzbekistan Issues Principles for Formation of Republic Budget

### Text of Declaration

914A0182A Tashkent PRAVDA VOSTOKA in Russian  
1 Nov 90 p 1

[Declaration on Principles for Formation of the Uzbek SSR Budget]

[Text] Guided by the Declaration on Sovereignty of the Uzbek SSR, the republic's Supreme Soviet announces the following principles for formation of the republic budget:

1. The Uzbek SSR is completely in charge of the revenues received on its territory and independently draws up and approves its own budget.

2. The budget system of the Uzbek SSR includes: the republic budget of the JzSSR and the budgets of the Karakalpak Autonomous Soviet Socialist Republic, oblasts, and the city of Tashkent.

These budgets are formed on the basis of planned volumes of revenue, takes, and other earnings obtained by them on the corresponding territory, and also a portion of the withholdings from nationwide taxes according to established norms.

3. The basis of the independence of the budgets is the existence of our own revenue sources secured by law of all elements of the budget system.

4. All managing subjects located on the territory of the Uzbek SSR, regardless of forms of ownership and departmental subordination, pay a turnover tax to the republic budget in the full amount. In the event the state budget does not balance, a profit tax is credited in full to the state budget.

5. In order to strengthen the revenue base of the republic budget and its balanced nature, the following are being introduced for the first time in 1991:

- taxes on raw material resources and export goods (cotton fiber, raw silk, wool, astrakhan fur, caprolactum, gas, precious metals, and others);
- an import and export tax;
- a renovation tax;
- a foreign tourism tax;
- a land tax;
- revenue from privatization.

6. The Karakalpak ASSR, oblasts, and the city of Tashkent, within the limits of definable revenues of their budgets, finance expenditures for maintaining and developing the local economy and communal facilities, beginning in 1991 the financing of expenditures for compensation for the differences in prices for consumable agricultural products, and also for the upkeep of vocational-technical schools, payment of benefits to single mothers and benefits to low-income families, and

to implement regional and other programs and measures according to a list coordinated between the corresponding soviets.

7. The republic budget of the UzSSR calls for formation of the necessary specific-purpose funds to finance unforeseen and extraordinary expenditures and measures according to approved republic programs and also the payment of subventions to local budgets.

8. Balancing the republic budget, the budget of the Karakalpak ASSR, and local budgets is the main task of the budget and financial policy of the legislative and executive power and the soviets of people's deputies at all levels in the republic.

9. The provisions of this declaration are the basis for working up the draft budget of the Uzbek SSR.

### Decree on Principles

914A0182B Tashkent PRAVDA VOSTOKA in Russian  
1 Nov 90 p 2

[Decree of the Uzbek SSR Supreme Soviet: "On the Declaration on Principles of Formation of the Uzbek SSR Budget for 1991"]

[Text] The transition to a market economy and formation of new economic relations between the USSR and union and autonomous republics assume a restructuring of the finance and credit policy in the Uzbek SSR.

In order to define the basic directions for strengthening the revenue base of the republic budget for 1991 and on this basis to carry out urgent tasks for improving the social living conditions of the population, the Supreme Soviet of the Uzbek SSR decrees:

To approve the fundamental approaches contained in the declaration to working up a republic budget for 1991.

[Signed] Chairman of the Supreme Soviet of the Uzbek SSR M. Ibragimov, City of Tashkent, 30 October 1990

## INDUSTRIAL DEVELOPMENT

### 9-Month Kazakh Economic Indicators Unsatisfactory

914D0069A Alma-Ata KAZAKHSTANSKAYA PRAVDA in Russian 26 Oct 90 pp 1, 3

[KazTAG report: "Situation Worsens"]

[Text] The results of our republic's socioeconomic development during the first nine months of this year indicate, as the KaSSR State Committee for Statistics has reported, that the measures which have been taken to restore the economy and reinforce its social orientation are not yielding the desired results. Commodity disproportions and currency and financial imbalance are worsening, and there continues to be a decline in output in certain sectors.

**Rapid growth in the public's money income as compared to production output is continually exacerbating the situation on the consumer market; this has resulted in an increase in the issue of money over last year by 303.7 million rubles [R], or by a factor of 1.3. Average monthly pay for blue-collar and white-collar workers is now R243 as compared to R225 one year ago; the corresponding figures for collective farm workers are R199 and R183.**

The situation is also worsening in that despite the fact that R760.5 million worth of consumer goods more were produced than one year ago, one-half of the main types of consumer goods were not up to last year's level. There was a decrease in the production of meat, canned goods, bread, other grain products and refined sugar, and there was a decrease in the fish catch. A tendency toward decline in the rate of goods turnover was observed. Whereas during the first six months of the year turnover increased by 13.6 percent, this figure was only 10.4 percent in August and 9.2 percent in September. This was due to reduced shipments of goods to the trade network on account of imports and shipments from other republics.

A similar situation has arisen in regard to food shipments. The shortage of consumer goods has given rise to further depletion of food stocks.

Prices for goods and services continue to rise. For fresh vegetables, canned vegetables, fruits, cucurbits and potatoes prices rose by 12.7-37.1 percent. Prices at collective farm markets increased by 11.2 percent, while prices for milk and dairy products rose by a factor of more than 1.5.

The increased volume of paid services provided to the public, 9.1 percent greater than during the same period last year, does not reflect any real change, since the increase was to a large extent achieved through sales of building materials, fertilizer, etc.

Through all sources of financing combined a total of 5.7 million square meters of housing were completed, or 66 percent of the yearly plan. This represented a decrease of 14 percent in comparison with the January-September period of last year. The situation was even worse in regard to construction of facilities in the social realm: completion of general schools and hospitals decreased by 17 and 56 percent, respectively. The main reason for this slowdown was shortages of various materials.

The dynamics of labor force distribution was characterized by an influx of workers into the non-production sphere, from the state sector of the economy into the private and cooperative sectors.

Crime continues to increase: during the first nine months of this year the number of crimes reported in our republic increased by 11 percent. More of these crime went unsolved than before. Economic crime is increasingly particularly rapidly.

Steps taken to prevent air pollution did make it possible to reduce emissions from point sources of pollution. Yet at the same time automobile emissions are not decreasing. The ecological situation remains worrisome in a number of cities. Construction of pollution control facilities is proceeding extremely slowly.

The operations of all economic complexes have become more difficult. There has been a significant increase in the number of industrial enterprises which are not meeting their contractual obligations. During the first nine months of this year profits in the economy (not counting agricultural organizations, the State Insurance Administration and consumer cooperatives) decreased by 5.9 percent; this included a decrease of 6.9 percent in industry and 19.4 percent in construction. Total volume of industrial output decreased in comparison with the same period last year by 0.4 percent. This occurred in virtually all the most important economic complexes.

A negative influence was exerted on industry by disruption of existing horizontal commercial relations, inflationary processes and the rise of barter exchanges which accompanies those processes, slackening of labor and technological discipline, and reduction of import purchases of raw materials and components. The lag behind schedule for completion of new capacities is becoming chronic. Of 29 facilities completed over the past two years only one-third reached planned capacity on schedule. Labor productivity remained at the same level as during the corresponding period last year.

In the fuel and energy complex oil and coal production declined, while in the metallurgical complex steel production dropped. Less coke, refined copper, lead and zinc were produced than in the same period last year. One enterprise in three failed to meet its contractual obligations. In September alone R52.2 million worth of goods failed to reach consumers. The metals industry was negatively affected by shortages of raw materials and other materials.

The machine building industry increased its production of processing equipment for the agroindustrial complex by a factor of three in comparison to last year. More stamping and forging machines with computer numerical control, metal cutting machines and excavation equipment were produced than last year. Yet at the same time there occurred a decrease in output of many basic types of production.

A substantial portion of enterprises in the chemical and forestry industry failed to meet their obligations to their customers. The volume of goods they failed to deliver increased by a factor of 1.5 as compared to last year. Enterprises in the construction complex industry had poorer results.

Particularly alarming is the slowdown in scientific-technical progress, which is mainly due to unsatisfactory realization of past decisions and lack of incentives which would give enterprises and farms an interest in using



advances in science and technology. Resolution of problems relative to taxation and use of hard currency investments has been delayed. The state plan for basic indices of scientific-technical progress has been fulfilled by only 7.1 percent.

Agricultural workers have virtually completed the harvest. Grain and legume crops (excluding corn) were harvested from 21.9 million hectares, and approximately 30 million metric tons of grain (initially credited weight) have been milled. The average yield of grain per hectare was 13.7 hundredweights, as compared to 8.6 hundredweights last year. Corn for grain, silage and green fodder was harvested from 96 percent of the area sown. A total of 13.6 million metric tons of grain were procured, 83 percent of the state order. Potatoes were harvested from 92 percent of sown area, with 111 hundredweights of tubers dug from each hectare as compared to 75.2 hundredweights last year; 996,000 metric tons of potatoes were harvested. Vegetables were harvested from 77 percent of sown area. More potatoes, fruits, berries, grapes and raw cotton were procured than last year, while procurement was less for vegetables, cucurbits and sugar beets. Autumn plowing and sowing of winter crops are proceeding more slowly than last year.

A difficult situation exists in the area of livestock raising. Thus far 18.2 hundredweights of fodder units have been procured for each standard head of cattle. Despite the unsatisfactory fodder supply a substantial portion of existing capacities for fodder preparation have not been repaired. On farms there has been a three-percent drop in the number of head of cattle, sheep and goats, and a two-percent drop in the number of horses. There has been a decrease in the number of offspring, and deaths among young animals have increased. Sales of cattle and poultry for slaughter have been cut back by farms in 12 oblasts, total milk yield in eight oblasts, and egg production in 13 oblasts. For this reason there was a shortfall in meat production (live weight) by 23,300 metric tons, in milk production by 17,700 metric tons and in egg production by 50.8 million eggs. This situation has been further exacerbated by the sale of a large number of cattle in poor weight condition. Yet at the same time the higher productivity of the milking herd should be noted. Annual contractual obligations for procurement of cattle and poultry by the state have been fulfilled by 67 percent, for milk procurement by 87 percent, for egg procurement by 81 percent, and for wool procurement by 96 percent.

Shipments of the majority of types of agricultural machinery were smaller than during the corresponding period last year. Goals for shipment of chemical fertilizers were met by 86 percent.

The situation in the investment field is worsening. Completion of many important production facilities has

been suspended. During the first nine months of this year R7.6 billion in state capital investment funds were utilized, among other things to finance R4.0 billion of construction and installation work; these figures are lower than last year's level by 9 and 12 percent, respectively. There has been a slowdown in construction of facilities in the machine building, chemical and forestry, metallurgical and construction industries, where utilization of capital investments and performance of construction and installation work accounted for up to 60 percent of total annual capital investment. Delays in completion of capacities and facilities are resulting in a growing number of projects which remain uncompleted for long periods of time. Salary increases in this sector continue to outstrip labor productivity.

Efforts to build and rebuild facilities in regions of East Kazakhstan and Semipalatinsk oblasts damaged by earthquakes are proceeding too slowly.

All means of transportation fulfilled their freight shipment goals. Yet at the same time the technical and financial indices of railroad operations worsened: there was an increase in train car idle time during loading and unloading operations and in freight costs, and there were decreases in locomotive productivity and average train weight. Though motor vehicle transport services are overfulfilling their plan goals for freight shipment, they continue to allow their vehicles to stand idle for long periods of time and have not reduced the number of empty return runs. While overfulfilling their state order for overall freight shipment volume, river transport services have not met their goal for various types of freight shipments. In the January-September period public transportation carried almost three billion passengers. However, failure to meet train, plane and bus schedules continued to prompt justified complaints.

During the first nine months of this year communications enterprises rendered R157 million in services to the public; this was 10 percent more than one year ago. Their state order was fulfilled by 102.9 percent.

There has been an increase in the number of participants in foreign economic relations. As of 1 October over 540 such participants were registered. Since the beginning of the year 7.2 percent fewer goods have been exported than in the same period last year. This is due to the poor competitiveness of our products, particularly in the machine building industry, and an unfavorable economic situation abroad. Exports continue to be heavily weighted in the direction of raw materials. There was a marked increase in commodity exchange operations. Direct contacts and other barter relationships accounted for 65.4 million convertible rubles. Kazakhintorg's trade volume was R16.9 million. There are presently 14 joint ventures registered in our republic.

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